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

FORM 20-F

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

OR

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

For the fiscal year ended December 31, 2010

OR

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

For the transition period from _____ to _____

OR

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

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

Commission file number 0-20860

EZCHIP SEMICONDUCTOR LTD.

(Exact name of Registrant as specified in its charter
and translation of Registrant's name into English)

Israel

(Jurisdiction of incorporation or organization)

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

Title of each class
Ordinary Shares, NIS 0.02 Par Value

Name of each exchange on which registered
NASDAQ Global Select Market

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

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

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

26,033,876 Ordinary Shares, par value NIS 0.02 per share (as of December 31, 2010)

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

Yes No

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

Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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

Large Accelerated filer

Accelerated filer

Non-accelerated filer

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

U.S. GAAP

International Financial Reporting Standards
as issued by the International Accounting Standards Board

Other

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

Item 17 Item 18

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

Yes No

This annual report on Form 20-F is being incorporated by reference into the Registrant's Form F-3 Registration Statements File Nos. 333-163353 and 333-164332 and Form S-8 Registration Statements File Nos. 333-134593, 333-148932, 333-148933, 333-164330, 333-164331, 333-170900 and 333-170901.

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INTRODUCTION

We were incorporated as a limited liability company under the laws of the State of Israel in 1989 and changed our name from LanOptics Ltd. to EZchip Semiconductor Ltd. on July 22, 2008. We are engaged in the development and marketing of Ethernet network processors for networking equipment. As used in this Annual Report, the terms “we,” “us,” “our” and “our company” mean EZchip Semiconductor Ltd. and our wholly-owned subsidiary EZchip Technologies Ltd., or EZchip Technologies, unless otherwise expressly stated. Our ordinary shares are traded on the NASDAQ Global Select Market and on the Tel-Aviv Stock Exchange under the symbol “EZCH.”

Our consolidated financial statements appearing in this Annual Report are prepared in U.S. dollars and in accordance with generally accepted accounting principles in the United States, or U.S. GAAP.

All references in this Annual Report to “dollars” or “\$” are to U.S. dollars and all references in this Annual Report to “NIS” are to New Israeli Shekels. The representative exchange rate between the NIS and the dollar on December 31, 2010 as published by the Bank of Israel was NIS 3.549 per \$1.00.

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

This Annual Report on Form 20-F contains various “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and within the Private Securities Litigation Reform Act of 1995, as amended. Such forward-looking statements reflect our current view with respect to future events and financial results. Forward-looking statements usually include the verbs, “anticipates,” “believes,” “estimates,” “expects,” “intends,” “plans,” “projects,” “understands” and other verbs suggesting uncertainty. We remind readers that forward-looking statements are merely predictions and therefore inherently subject to uncertainties and other factors and involve known and unknown risks that could cause the actual results, performance, levels of activity, or our achievements, or industry results, to be materially different from any future results, performance, levels of activity, or our achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of filing of this Annual Report on Form 20-F. We undertake no obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after such date or to reflect the occurrence of unanticipated events. We have attempted to identify additional significant uncertainties and other factors affecting forward-looking statements in the Risk Factors section which appears in Item 3.D “Key Information -Risk Factors.”

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data is derived from our audited consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The selected income data for the years ended December 31, 2008, 2009 and 2010, and the selected balance sheet data as at December 31, 2009 and 2010, have been derived from our audited consolidated financial statements set forth in "Item 18 – Financial Statements." The selected income data for the years ended December 31, 2006 and 2007, and the selected balance sheet data as at December 31, 2006, 2007 and 2008, have been derived from our previously published audited consolidated financial statements, which are not included in this Annual Report. The selected financial data set forth below should be read in conjunction with and are qualified by reference to "Item 5. Operating and Financial Review and Prospects," and the audited consolidated financial statements and notes thereto included elsewhere in this Annual Report.

	Year Ended December 31,				
	2006	2007	2008	2009	2010
	(in thousands, except share and per share data)				
Consolidated Statement of Operations Data:					
Revenues	\$ 8,469	\$ 19,488	\$ 33,566	\$ 40,046	\$ 61,998
Operating income (loss)	(10,285)	(4,604)	(6,045)	4,897	20,749
Net income (loss) attributable to EZchip Semiconductor shareholders	(12,317)	(4,088)	(4,600)	17,382	13,643
Per share data:					
Basic net income (loss) per share	(1.05)	(0.25)	(0.20)	0.74	0.54
Diluted net income (loss) per share	(1.05)	(0.25)	(0.20)	0.66	0.52
Weighted average number of ordinary shares used in computing basic net income (loss) per share	11,745,171	16,533,369	23,048,868	23,376,217	25,281,651
Weighted average number of ordinary shares used in computing diluted net income (loss) per share	11,745,171	16,533,369	23,048,868	23,516,260	26,110,132
Consolidated Balance Sheet Data:					
Working capital	\$ 19,427	\$ 46,016	\$ 52,554	\$ 75,033	\$ 111,583
Total assets	66,293	105,245	164,103	197,423	222,861
Long-term liabilities	5,801	3,272	4,081	4,779	5,974
Preferred shares in EZchip Technologies	23,770	23,770	--	--	--
Equity	\$ 32,613	\$ 74,425	\$ 154,914	\$ 180,463	\$ 209,029

B. CAPITALIZATION AND INDEBTEDNESS

Not applicable.

C. REASONS FOR THE OFFER AND USE OF PROCEEDS

Not applicable.

D. RISK FACTORS

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

Risks Relating To Our Business

We depend on a very limited number of key customers and one of our principal customers is expected to reduce its purchases from us over time. If we are unable to maintain our relationship with these customers or if these customers significantly reduce the use of our NPUs in their systems, our future revenues and growth will be materially adversely affected.

We currently depend on a very limited number of key customers. Juniper Networks, a major tier-1 vendor of carrier Ethernet switches/routers, or CESRs, which is currently our largest customer, accounted for approximately 54% of our 2009 revenues and approximately 40% of our 2010 revenues. Juniper Networks currently uses our NP-2 processors that we started to ship in 2006. In October 2009, Juniper Networks announced its launch of a new family of processors and networking systems incorporating internally developed chips. We expect that over time, as this new family of Juniper Networks products replaces the products that incorporate our NPUs, Juniper Networks will significantly reduce and eventually discontinue its purchases from us.

Revenues from our other leading customer Cisco, which is the largest tier-1 vendor, are generated through Marvell Technology Group Ltd., or Marvell, pursuant to a royalty arrangement, as described in more detail in Item 4.B., "Information on the Company – Business Overview – Customers and Customer Support." Cisco currently uses our NP-3 processors and is also expected to use our NP-4 processors in its future products. Revenues from Marvell attributable to Cisco ramped up significantly during 2010 and accounted for 20% of our 2010 revenues, up from less than 10% of our 2009 revenues. The growth of our revenues in 2011 and beyond will depend in large part on the revenues we generate from Marvell attributable to Cisco. If Cisco purchases significantly lower quantities than expected due to global economic conditions or otherwise, or if the products that incorporate our network processors are not commercially successful, our future revenues and the growth of our business will be materially adversely affected.

Our future growth will also be dependent in great measure upon the continued acceptance and utilization of our current and future products by our other customers (excluding Cisco and Juniper), that as a group accounted for 40% of our 2010 revenues. If any of these vendors decide not to incorporate our products into their future products or to cease incorporating our network processors in their current products, or purchases significantly lower quantities than expected due to global economic conditions or otherwise, or if the products that incorporate our network processors are not commercially successful, our future revenues and the growth of our business will be materially adversely affected.

Due to the lengthy design and development cycle, and other matters beyond our control, it is difficult to predict the time and manner in which Juniper Networks' revenue will decline, and when Marvell through Cisco and our other customers will enter into more solid and predictable ramp up phases.

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

The crisis in the financial and credit markets in the United States, Europe and Asia in 2008 and 2009 led to a global economic slowdown, with the economies of the United States and Europe showing significant signs of weakness. Carriers in such countries may continue to be under pressure or may not have recovered fully and as a result, may reduce or postpone their technology spending significantly. This could result in reductions in sales of networking equipment that incorporate our products, longer sales cycles, slower implementation of new carrier Ethernet networks and increased price competition. Any of these events would likely harm our business, operating results and financial condition. If global economic and market conditions, or economic conditions in the United States, Europe or Asia or other key markets remain uncertain or deteriorate further, our business, operating results and financial condition may be materially adversely affected.

On March 11, 2011, an earthquake off the eastern coast of Japan triggered a devastating tsunami tidal wave, causing damage and destruction. It is too early to predict the long-term impact of this disaster on the economy of Japan and elsewhere.

We are dependent on the networking equipment market for our growth, and if it does not grow, then we will not be able to expand our business.

Although there are many companies operating in the networking equipment market, a significant portion of the market is controlled by a limited number of companies. The growth of our network processor business depends in part on increased acceptance and use of networking equipment that is developed and manufactured by companies with significant market share. We depend on the ability of our target customers, specifically those with a significant share of the networking equipment market, to develop new products and enhance existing products for the networking equipment market that incorporate our products and to introduce and promote their products successfully. The market for networking equipment depends in part upon the market's acceptance of packet-based converged telecom networks, in particular carrier Ethernet networks, as well as 10 Gigabit and greater Ethernet technologies that enable the forwarding of data at a high speed. Ultimately, the development rate of these technologies may be slower than we anticipate. If the use of such networking equipment does not grow as we anticipate due to global market conditions or otherwise, if we are unsuccessful in maintaining our relationships with our current customers, specifically those with a significant share of the networking equipment market, such as Cisco, and creating relationships with other target customers with significant market share, if our target customers do not incorporate our products into theirs, or if the products of our target customers that incorporate our network processors are not commercially successful, our growth will be impeded.

We have had a limited operating history in the network processor industry and our future financial results are difficult to predict.

Our future success will be subject to the risks we will encounter in the network processor industry. We have a limited operating history in the industry, with our first product sales in the second quarter of 2002 and total sales through December 31, 2010 of approximately \$176 million. We incurred operating losses in 2006, 2007 and 2008. Our limited operating history makes it difficult to evaluate the prospects of our business. Moreover, the network processor industry is constantly evolving and is subject to technological and competitive forces beyond our control. Our ability to design and market products to meet customer demand and the revenue and income potential of our products and business are unproven. As an early stage company in the developing network processor industry, we face numerous risks and uncertainties. Some of these risks relate to our ability to:

- expand and enhance our product offerings;
- increase our revenues;
- diversify our sources of revenue;
- respond to technological changes;
- respond to competitive market conditions; and
- respond to global economic conditions.

If we fail to address these risks and uncertainties, our results of operations will be adversely affected.

We may experience difficulties or delays in the introduction of our new family of network processors and other new and enhanced products.

In 2007, we announced a new family of network processors targeting Ethernet Access applications. Several models of the network processors, named NPA, were sampled in the fourth quarter of 2009 and first production shipments commenced in the fourth quarter of 2010. The NPA product family addresses the transition of carrier access from ATM/TDM based networks to Ethernet packet-based networks and the provision of triple-play services that command increased bandwidth and service guarantees to residential and business users. We may not be successful in developing, introducing and marketing these new offerings or in addressing all or any portion of the potential market for these offerings. We may experience difficulties that could delay or prevent the successful development, introduction and marketing of these offerings. Furthermore, our new offerings may not adequately meet the requirements of the marketplace or achieve market acceptance. If we do not timely develop and introduce these offerings or respond in a timely manner to changing market conditions, customer requirements or global economic conditions, the growth of our business may be adversely affected. Since we are a late comer to the access market, we face a greater level of competition from other merchant vendors, as compared to the competition we face in the high speed network processor market.

Many of our competitors and potential competitors are much larger than us, and if we are unable to compete effectively we could lose our market share and revenues.

The market for network processors is intensely competitive, rapidly evolving and subject to rapid technological change. We believe that competition in this market will become more intense in the future and may cause price reductions, reduce gross margins and result in loss of market share, any one of which could significantly reduce our future revenue and decrease our net income. Many of our current and potential competitors have longer operating histories, significantly greater financial, technical, product development and marketing resources, greater name recognition and significantly larger customer bases than we do. In addition, we face competition from current and prospective customers who may choose to develop their own network processors.

Additionally, many of our competitors also have well-established relationships with our prospective customers and suppliers and prospective customers may have competitive reasons to prefer our competitors. As a result of these factors, many of our competitors, either alone or with other companies, have significant influence in our target markets that could outweigh our technological advantage.

Our products may have defects, which could damage our reputation, decrease market acceptance of our products, cause us to lose customers and revenue, increase production costs and result in liability.

Highly complex products such as network processors may contain hardware or software defects or bugs. Often, these defects and bugs are not detected until after the products have been shipped. If any of our products contain defects, or have reliability, quality or compatibility problems, our reputation might be damaged significantly and customers might be reluctant to buy our products, which could result in the loss of or failure to attract customers. In addition, these defects could interrupt or delay sales. We may have to invest significant capital and other resources to correct these problems. If any of these problems are not found until after we have commenced commercial production of a new product, we might incur substantial additional development costs. If we fail to provide solutions to the problems, such as software patches, we could also incur product recall, repair or replacement costs. These problems might also result in claims against us by our customers or others. In addition, these problems might divert technical and other resources from other development efforts. Moreover, we would likely lose, or experience a delay in, market acceptance of the affected product or products, and we could lose credibility with our current and prospective customers. This is particularly significant as we are relatively a new entrant to a market dominated by large, well-established companies.

We may have to redesign our products to meet rapidly evolving industry standards and customer specifications, which could delay our production and increase our operating costs.

We operate in a market characterized by rapidly evolving industry standards, product obsolescence, and new manufacturing and design technologies. Many of the standards and protocols for our products are based on high speed networking technologies that have not been widely adopted or ratified by one of the standard setting bodies in our customers' industry.

Our target customers, network equipment manufacturers, are likely to have varying requirements and may delay or alter their design demands during this standard-setting process. In response, we may have to redesign our products to suit these changing demands, which would likely delay the production of our future products and increase operating costs.

Because our products have lengthy design and development cycles and the development of our network processors is a complex and uncertain process, we could experience delays in generating revenues or cancellation of customer contracts.

We may never generate significant revenues from our newly developed products after incurring significant design and development expenditures. A customer may decide to cancel or change its product plans, which could cause us to generate no revenue from that customer and adversely affect our results of operations. A delay or cancellation of a customer's plans could significantly adversely affect our financial results. Even after winning a design contract, a customer may not begin volume production of our equipment for a period of up to two years, if at all. Due to this lengthy design and development cycle, a significant period may elapse from the time we begin incurring expenses until the time we generate revenue from our products, during which market conditions may change. We have no assurances that our customers will ultimately market and sell their equipment incorporating our network processors, or that such efforts by our customers will be successful.

In addition, the development of our network processors is a complex and uncertain process and we are engaged in the development of very advanced technologies. We may experience design, manufacturing, marketing and other difficulties that could delay the development or marketing of these network processors. The difficulties could result in reduced sales, loss of existing and potential customers and unexpected expenses or delays in the launch of these network processors, all which may adversely affect our results of operations.

The loss of personnel could affect our ability to design and market our products.

To succeed, we must retain and hire technical personnel highly skilled in the design and test of functions used to develop Ethernet network processors and related software. The competition for such employees is intense. We, along with our competitors, customers and other companies in the communications industry, face intense competition for those employees from competitors and from an increasing number of emerging startup companies with potentially lucrative employee ownership arrangements. Recruiting, hiring and retaining key personnel can also result in significant monetary costs.

If we are unable to adequately protect our technology or other intellectual property through patents, copyrights, trade secrets, trademarks and other measures, our competitors and third party manufacturers could use our proprietary information and we could lose our competitive advantage.

To compete effectively, we must protect our proprietary information. We rely on and intend to rely on a combination of patents, trademarks, trade secret laws, confidentiality procedures and licensing arrangements to protect our intellectual property rights. Our failure to adequately protect our technology or other intellectual property from use by our competitors and third party manufacturers could jeopardize our competitive advantage, and result in a loss of customers. We have a number of issued patents, however, the patents that have been issued may not provide any meaningful protection or commercial advantage to us, as they may not be of sufficient scope or strength, or may not be issued in all countries where our products can be sold. In addition, our competitors may be able to design around our patents.

Our products employ technologies that may infringe on the proprietary rights of third parties, which may expose us to litigation and prevent us from selling our products.

Vigorous protection and pursuit of intellectual property rights or positions characterize the semiconductor industry. This often results in expensive and lengthy litigation. We, as well as our customers or suppliers, may be accused of infringing on patents or other intellectual property rights owned by third parties. An adverse result in any litigation could force us to pay substantial damages, stop designing or manufacturing, using and selling the infringing products, spend significant resources to develop non-infringing technology, indemnify third parties, discontinue using certain processes or obtain licenses to use the infringing technology. In addition, we may not be able to develop non-infringing technology, nor might we be able to find appropriate licenses on reasonably satisfactory terms.

Because the processes used to manufacture our products are complex, customized to our specifications and can only be performed by a limited number of manufacturing facilities, we may experience delays in production and increased costs.

The manufacture of processors is a highly complex and technically demanding process. Defects in design or problems associated with transitions to newer manufacturing processes or new manufacturers can result in unacceptable manufacturing yields and performance. These problems are frequently difficult to detect in the early stages of the production process and can be time-consuming and expensive to correct once detected. As a result, defects, performance problems with our products or poor manufacturing yields could adversely affect our business and operating results.

If third-party manufacturers and other suppliers terminate our arrangement with them, or amend them in a manner detrimental to us, we may experience delays in production and our business maybe adversely affected.

The fabrication of our network processors is outsourced to third-party manufacturers and subcontractors. There are significant risks associated with our reliance on third-party manufacturers. Most significantly, if our manufacturing suppliers are unable or unwilling to provide us with adequate manufacturing capacity, we would have to identify and qualify one or more substitute suppliers for our products. Our manufacturers may experience unanticipated events that could inhibit their abilities to provide us with adequate manufacturing capacity on a timely basis, or at all. Historically, there have been periods in which there has been a worldwide shortage of manufacturer capacity for the production of high-performance processors such as ours. Introducing new products or transferring existing products to a new third party manufacturer would require significant development time to adapt our designs to their manufacturing processes and could cause product shipment delays. In addition, the costs associated with manufacturing our products may increase if we are required to use a new third party manufacturer. If we fail to satisfy our manufacturing requirements, our business would be materially harmed.

We have entered into an agreement with a sole supplier for the manufacture of each of our existing network processor models and we expect to use a sole supplier for our next generation of network processors as well. Our NP-3 network processors are manufactured by IBM. Our NP-2 network processor, our special version NP-3 network processor, and our NPA and NP-4 network processors, are or are expected to be manufactured by Taiwan Semiconductor Manufacturing Co., or TSMC, through third parties that coordinate and assume responsibility for various aspects of the manufacturing process. IBM, TSMC or any future sole supplier for our current and future products may reduce or delay shipment if its ability to manufacture network processors is constrained. If a sole supplier of our network processors, a third party that arranges for their manufacture, or any other subcontractor fails to deliver network processors or necessary components or services on time or at all, our business could be severely harmed. In addition, if the current manufacturing arrangement between our third party subcontractor and TSMC is terminated or amended in a manner detrimental to us, it could adversely affect our business while we try to make alternative arrangements with substitute suppliers.

These and other risks associated with our reliance on a third-party manufacturer could materially and adversely affect our business, financial condition and results of operations.

The performance of the capital markets may significantly decrease the value of our marketable securities and may cause us to incur impairment charges relating to our investment portfolio.

The performance of the capital markets affects the values of the funds we hold in marketable securities, which as of December 31, 2010 totaled \$36.3 million. These securities are subject to market fluctuations. For example, in 2008 and into first half of 2009, the credit and capital markets deteriorated significantly and adversely impacted the fair value of our investments. Future turmoil in the capital markets may result in impairments of the carrying value of our investment assets. Realized or unrealized losses in our investments or in our other financial assets may adversely affect our financial condition.

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

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

Risks Relating to Our Ordinary Shares

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

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

Future exercises of our options and vesting of our restricted share units may result in substantial dilution and future sales of these ordinary shares may cause the market price of our ordinary shares to decline.

Future exercises of our options and vesting of our restricted share units may result in substantial dilution and future sales of these ordinary shares may cause the market price of our ordinary shares to decline. We cannot predict what effect, if any, future sales of our ordinary shares, or the availability of our ordinary shares for future sale, will have on the market price of our ordinary shares. Sales of substantial amounts of our ordinary shares in the public marketplace by us or our shareholders, or the perception that such sales could occur, could adversely affect the market price of our ordinary shares and may make it more difficult for investors to sell ordinary shares at a time and price which such investors deem appropriate.

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

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

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

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

Risks Relating To Our Location In Israel

Political, economic and military instability in Israel may disrupt our operations and negatively affect our sales.

We are incorporated under the laws of the State of Israel, and our principal executive offices and principal research and development facilities are located in Israel. Political, economic and security conditions in Israel directly influence us. Since the establishment of the State of Israel in 1948, Israel and its Arab neighbors have engaged in a number of armed conflicts. A state of hostility, varying in degree and intensity, has led to security and economic problems for Israel. Major hostilities between Israel and its neighbors may hinder Israel's international trade and lead to economic downturn. This, in turn, could have a material adverse effect on our operations and business. There has been an increase in unrest and terrorist activity in Israel, which began in September 2000 and which has continued with varying levels of severity through 2010. In recent years, there was an escalation in violence among Israel, Hamas, the Palestinian Authority and other groups. Hamas launched hundreds of missiles from the Gaza Strip against Israeli population centers, which led to an armed conflict between Israel and Hamas during December 2008 and January 2009.

Recent popular uprisings in various countries in the Middle East and North Africa are affecting the political stability of those countries. Such instability may lead to a deterioration in the political and trade relationships that exist between the State of Israel and these countries. In addition, such instability may affect the global economy and marketplace as a result of changes in oil and gas prices. Since our headquarters and research and development facilities are located in the State of Israel, any such events that affect the State of Israel may impact us in unpredictable ways. If our operations are significantly impacted by such events, our results of operations may be adversely affected.

Ongoing violence between Israel and the Palestinians as well as tension between Israel and neighboring countries or political instability in the region may have a material adverse effect on our business, financial conditions and results of operations.

Additionally, some of our key employees in Israel are obligated to perform annual reserve duty in the Israel Defense Forces and are subject to being called for active military duty at any time in the event of a national emergency. If a military conflict or war arises, these individuals could be required to serve in the military for extended periods of time. Our operations could be disrupted by the absence for a significant period of one or more of our key employees due to military service. Any disruption in our operations would harm our business.

Fluctuations in the exchange rate between the U.S. dollar and foreign currencies may affect our operating results.

A significant portion of the cost of our Israeli operations, mainly personnel costs, is incurred in NIS. Therefore, our NIS related costs, as expressed in U.S. dollars, are influenced by the exchange rate between the U.S. dollar and the NIS. Since 2007, the NIS has generally appreciated against the U.S. dollar, which resulted in a significant increase in the U.S. dollar cost of our operations in Israel. NIS linked balance sheet items may create foreign exchange gains or losses, depending upon the relative dollar values of the NIS at the beginning and end of the reporting period, affecting our net income and earnings per share. Although we may use hedging techniques we cannot completely eliminate the effects of currency fluctuations. Exchange rate fluctuations resulting in the depreciation of the U.S. dollar compared to the NIS could have a material adverse impact on our operating results and share price.

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

Currently we have three programs under the Israeli Law for the Encouragement of Capital Investments, 1959, commonly referred to as the Investment Law, which entitle us to certain tax benefits. Our facilities in Israel have been granted Approved Enterprise status under the Investment Law and we have two Privileged Enterprises under the Investment Law.

Prior to April 2005, the Investment Law provided that capital investments in a production facility (or other eligible assets) may be designated as an Approved Enterprise upon advance approval from the Investment Center of the Israel Ministry of Industry, Trade and Labor. On April 1, 2005, an amendment to the Investment Law came into effect, which revised the criteria for investments qualified to receive tax benefits. An eligible investment program under the amendment will qualify for benefits as a Privileged Enterprise (rather than the previous terminology of Approved Enterprise). Among other things, the amendment provides tax benefits to both local and foreign investors and simplifies the approval process. The amendment does not apply to investment programs approved prior to December 31, 2004 and applies to new investment programs only. Therefore, our Approved Enterprise program is not subject to the provisions of the amendment, but our two Privileged Enterprise programs are.

In order to be eligible for tax benefits under the Investment Law, our Approved Enterprise and Privileged Enterprises must comply with various conditions set forth in the Investment Law and the criteria set forth in the applicable certificate of approval for the Approved Enterprise, as well as periodic reporting obligations. If we fail to meet these requirements, we would be subject to corporate tax in Israel at the regular statutory rate. We could also be required to refund tax benefits, with interest and adjustments for inflation based on the Israeli consumer price index.

The government grants we have received for research and development expenditures limit our ability to 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.

Since April 2006, our research and development efforts have been financed, in part, through grants from the Office of the Chief Scientist of the Israeli Ministry of Industry, Trade and Labor, or OCS. We therefore must comply with the requirements of the Israeli Law for the Encouragement of Industrial Research and Development, 1984 and related regulations, or the Research Law. If we fail to comply with any of the requirements imposed by the OCS, such as change of control notices and annual reporting requirements, we may be required to refund any grants previously received together with interest and penalties, and a person who transferred OCS-funded technology may be subject to criminal charges and up to three years imprisonment.

In recent years, the Government of Israel has reduced the benefits available under these programs, and these programs may be discontinued or curtailed in the future. If the Government of Israel discontinues or modifies these programs, or we are unable to comply with the new requirements, our expenses will increase significantly, and our business, financial condition and results of operations could be materially and adversely affected.

Technology developed by OCS funding may only be transferred subject to the prior approval of an OCS committee and, under certain circumstances, also to the payment of a redemption fee which is a certain percentage of the price paid in connection with such a transfer. A transfer, for the purpose of OCS rules, includes an actual sale of the technology, any exclusive license to develop, market, and manufacture products resulting from the technology or any other transaction which in essence constitutes a transfer of the technology and does not include the worldwide sale of products that are based on technology developed with OCS funding. We may not receive the required approvals should we wish to transfer this technology in the future. These restrictions may impair our ability to sell our technology assets, and the restrictions will continue to apply even after we have repaid the full amount of royalties payable for the grants. In addition, the restrictions may impair our ability to consummate a merger or similar transaction in which the surviving entity is not an Israeli company.

It may be difficult to enforce a U.S. judgment against us or our officers and directors, to assert U.S. securities laws claims in Israel or serve process on substantially all of our officers and directors.

We are organized under the laws of the State of Israel. Substantially all of our executive officers and directors and a substantial portion of our assets and the assets of these persons are located outside the United States. Therefore, it may be difficult for an investor, or any other person or entity, to collect a judgment obtained in the United States against us or any of these persons, or to effect service of process upon these persons in the United States. Furthermore, it may be difficult to assert U.S. securities law claims in original actions instituted in Israel.

The rights and responsibilities of our shareholders are governed by Israeli law and differ in some respects from the rights and responsibilities of shareholders under U.S. law.

We are incorporated under Israeli law. The rights and responsibilities of holders of our ordinary shares are governed by our articles of association and by Israeli law. These rights and responsibilities differ in some respects from the rights and responsibilities of shareholders in typical U.S. corporations. In particular, a shareholder of an Israeli company has a duty to act in good faith toward the company and other shareholders and to refrain from abusing his power in the company, including, among other things, in voting at a general meeting of shareholders on certain matters. Israeli law provides that these duties are applicable in shareholder votes on, among other things, amendments to a company's articles of association, increases in a company's authorized share capital, mergers and interested party transactions requiring shareholder approval. In addition, a controlling shareholder, a shareholder who knows that it possesses the power to determine the outcome of a shareholder vote, and a shareholder that possesses the power to appoint or prevent the appointment of a director or executive officer in the company has a duty of fairness toward the company. The Israeli Companies Law also provides that a breach of the duty of fairness will be governed by the laws governing breach of contract; however, Israeli law does not define the substance of this duty of fairness. There is little case law available to assist in understanding the implications of these provisions that govern shareholder behavior.

Provisions of Israeli law may delay, prevent or make difficult a change of control and therefore depress the price of our shares.

Some of the provisions of Israeli law could:

- discourage potential acquisition proposals;
- delay or prevent a change in control; and
- limit the price that investors might be willing to pay in the future for our ordinary shares.

Israeli corporate law regulates mergers and acquisitions of shares through tender offers, requires approvals for transactions involving significant shareholders and regulates other matters that may be relevant to these types of transactions. Furthermore, Israel tax law treats stock-for-stock acquisitions between an Israeli company and a foreign company less favorably than does U.S. tax law. For example, Israeli tax law may subject a shareholder who exchanges his ordinary shares for shares in a foreign corporation to immediate taxation or to taxation before his investment in the foreign corporation becomes liquid. These provisions may adversely affect the price of our shares.

As a foreign private issuer whose shares are listed on The NASDAQ Global Select Market, we may follow certain home country corporate governance practices instead of certain NASDAQ requirements. We follow Israeli law and practice instead of NASDAQ rules regarding the director nominations process, compensation of executive officers and the requirement to obtain shareholder approval for certain dilutive events.

As a foreign private issuer whose shares are listed on The NASDAQ Global Select Market, we are permitted to follow certain home country corporate governance practices instead of certain requirements of The NASDAQ Listing Rules. We do not comply with NASDAQ requirements regarding the director nominations process and compensation of executive officers, which require that director nominees and compensation of executive officers be selected/determined, or recommended for the board of directors selection/determination, either by a majority of the independent directors or a committee comprised solely of independent directors. Instead, we follow Israeli law and practice in accordance with which our directors are recommended by our board of directors for election by our shareholders and our board of directors determines executive compensation, subject to the required approvals under Israeli law. In addition, we follow our home country law, instead of the NASDAQ Listing Rules, which require that we obtain shareholder approval for certain dilutive events, such as for the establishment or amendment of certain equity based compensation plans and arrangements, an issuance that will result in a change of control of the company, certain transactions other than a public offering involving issuances of a 20% or more interest in the company and certain acquisitions of the stock or assets of another company. Under Israeli law and practice, in general, the approval of the board of directors is required for the establishment or amendment of equity based compensation plans and arrangements, unless the arrangement is for the benefit of a director, or a controlling shareholder, in which case audit committee and shareholder approval are also required. Similarly, the approval of the board of directors is generally sufficient for a private placement unless the private placement involves a director, a controlling shareholder or is deemed a "significant private placement," in which case shareholder approval, and, in some cases, audit committee approval, would also be required. The Israeli Companies Law defined a "significant private placement" as a private placement (i) resulting in a party becoming a controlling shareholder, or (ii) involving the issuance of a 20% or more voting rights in the company, which (A) results in a 5% or more shareholder increasing its interest in the company or an offeree becoming a 5% or more shareholder, and (B) involves consideration that is not solely cash or public traded securities, or is not on fair market terms. As a foreign private issuer listed on The NASDAQ Global Select Market, we may also follow home country practice with regard to, among other things, composition of the board of directors and quorum at shareholders' meetings. A foreign private issuer that elects to follow a home country practice instead of NASDAQ requirements must submit to NASDAQ in advance a written statement from an independent counsel in such issuer's home country certifying that the issuer's practices are not prohibited by the home country's laws. In addition, a foreign private issuer must disclose in its annual reports filed with the Securities and Exchange Commission each such requirement that it does not follow and describe the home country practice followed by the issuer instead of any such requirement. Accordingly, our shareholders may not be afforded the same protection as provided under NASDAQ's corporate governance rules.

ITEM 4. INFORMATION ON THE COMPANY

A. HISTORY AND DEVELOPMENT OF THE COMPANY

We were incorporated as a limited liability company under the laws of the State of Israel in 1989 as Dan-Serb Ltd. and changed our name to LanOptics Ltd. in March 1990 and to EZchip Semiconductor Ltd. on July 22, 2008. Until 1999, our principal business was the development, manufacture and marketing of solutions and Internet applications to improve the connectivity and performance of corporate Local Area Networks, or LANs, and Wide Area Networks, or WANs. In mid-1999, we decided to cease the research and development of new switching products for LANs and instead, to focus on our internal application-specific integrated circuit, or ASIC, design team. This team, which had previously developed ASICs for our LAN and WAN products, began work on the development of network processors. This new business initiative was incorporated as our subsidiary EZchip Technologies in December 1999.

We are currently engaged in the development and marketing of Ethernet network processors for networking equipment. We provide our customers with solutions that scale from 1-Gigabit to 100-Gigabits per second with a common architecture and software across all products. Our network processors provide the flexibility and integration that enable triple-play data, voice and video services in access, metro and edge systems that make up the new Carrier Ethernet networks. Our principal executive offices are located at 1 Hatamar Street, P.O. Box 527, Yokneam 20692, Israel, and our telephone number is +972-4-959-6666. Puglisi & Associates, located at 859 Library Avenue, Suite 204, P.O. Box 885, Newark, Delaware 19715, serves as our agent for service of process in the United States.

B. BUSINESS OVERVIEW

Industry Background

In recent years there has been a significant increase in the bandwidth demands on communications networks. These networks have experienced major upsurges in the volume, variety and complexity of communications traffic. The expansion of broadband access technologies to residences and businesses, in large part due to growth in Internet usage and the dramatic increase in communications traffic that consists of digital media, have created strong demand for greater access bandwidth. To meet this demand, carrier networks are undergoing significant changes and, most significantly, are migrating to packet-based Ethernet networks that enable higher throughput, lower cost and uniform technology across both the access and metro networks. These networks are now being designed to deliver voice, video and high-speed Internet access, or "triple-play" services, on one converged, efficient and flexible network. These trends require network equipment, and particularly the switches and routers that build the metro Ethernet networks, to comply with evolving market requirements and to be able to provide new services, better quality of service, or QoS, and to support new protocols and standards. Programmable network processors, or NPUs, address these needs.

Network processors are programmable integrated circuits that combine the speed advantages of fixed-function ASIC chips with the programmability and flexibility of microprocessors. They can accommodate new Internet applications and new protocols, simply by downloading new software. This combination of performance, speed and flexibility allows equipment suppliers to keep pace with changes, offer new services and extend the lifespan of their products.

Carrier network equipment is the primary target for network processors, since the switches, routers and access nodes that make up the carrier networks are more demanding in features and performance and are less cost sensitive than enterprise networks. The carrier network usually consists of three domains, although in some cases there is an overlap between these domains: (i) the access network aggregates traffic from individual businesses and residences; (ii) a metro area network, or MAN, spans a metropolitan area, and interconnects the access networks; (3) a wide area network, or WAN, interconnects geographically distanced MANs.

As carriers gradually migrate to Ethernet-based infrastructure, the various classes of equipment that make up the carrier networks are migrating to Ethernet-centric platforms, including Carrier Ethernet Switch Routers, or CESR, transport switches, and access platforms (in particular microwave backhaul switches, passive optical access optical line terminal, or PON OLT, and cable modem termination systems, or CMTS), IP DSL access multiplexers, or DSLAMS, and Ethernet Access switches. Vendors of these types of systems are the primary target customers for our network processors. Other smaller target markets include data center appliances that perform functions such as security, load balancing and traffic monitoring and analysis. Systems are typically built as a modular, multi-slot chassis that consists of several line cards with many network ports per line card or as a stand-alone, fixed configuration, flat frame known as a pizza box.

Market Trends

Networking equipment can be designed to incorporate ASICs, which are non-programmable switching chips, field programmable gate arrays, or FPGAs, high-speed network processors, or NPUs, or a combination of these. The challenge is to provide an integrated solution that is both flexible and cost-effective.

Although ASICs are effective from a cost/performance viewpoint, their lack of programmability is a severe disadvantage. This makes them inflexible and therefore inadequate to accommodate today's rapidly changing application environment with evolving requirements to provide new services, features and network protocols.

FPGAs are relatively expensive and do not provide the price points that effectively address carrier network price targets.

NPUs are the most suitable for use in networking equipment because of the high throughput and flexibility they provide. NPUs typically maximize current silicon technologies to provide optimal programming flexibility and integration while maintaining high performance. NPUs are cost effective in light of their advantages. Within the market for NPUs, there are currently two main classes:

- Access NPUs - typically with several Gigabit-per-second throughput and used mostly in access equipment.
- High-speed NPUs - typically with 20-Gigabit and higher throughput and used mostly in metro and edge equipment.

In previous years, a third class of mid-range NPUs existed, typically with up to 2.5-Gigabit throughput and often used in multi-service equipment, such as asynchronous transfer mode, or ATM, equipment. These NPUs were the first NPUs to hit the market and gain market traction. Because of the long life-cycles of networking equipment, they are still being sold in relatively large volumes. However they are presently used mostly in legacy networking equipment and are typically not selected for new designs. Consequently, they will likely decline in market share over time.

Carrier Ethernet equipment typically use a significant number of NPUs. Systems are often built in a modular, multi-slot chassis. Each chassis typically consists of 8-16 line cards, with each line card consisting of 1-8 NPUs, so that 8-128 NPUs might be used for a fully populated chassis. Equipment built in a pizza box form will typically use 1-4 NPUs per box.

Our Solution

We design and produce network processors for high-speed networking equipment, integrating several key functions into a single chip. In recent years we have also introduced products for the low-speed access market. Networking equipment vendors use our network processors to form the silicon core of next-generation networking equipment, such as switches and routers, for voice, video and data integration in a variety of applications. We are a fabless semiconductor company, which means that we do not have our own semiconductor manufacturing plant, but rather utilize outside fabrication facilities.

Our network processors are single-chip solutions that enable our customers to design high-density, multi-port line cards. They include processing and classification engines, traffic managers, media access controllers, or MACs, and a variety of specialized hardware blocks that accelerate various functions, and as a result, reduce the number of complementary chips required. This high level of integration benefits networking vendors by reducing the system price, complexity and amount of space required on the board.

Our NPUs represent a major advance over earlier generations of network processor solutions. These earlier solutions required multiple chips to perform the requisite designed-in functions, placing limitations on the speed at which data could be processed, the density of ports that could be achieved in a given system and the associated cost. Moreover, most of these earlier solutions employed generic reduced instruction set computer, or RISC, processors rather than specially designed processing engines. Our advantages over these earlier designs lie in the integration of processing, classification and traffic management functions in a single chip. This is accomplished with patented and other proprietary elements, our task optimized processing technology that uses specialized processing engines instead of generic RISC engines, chip architecture innovations and innovative table lookup (search) algorithms. As a result, systems designed using our products offer equipment vendors the performance they need and the ability to reduce chip count, power consumption and cost.

We offer solutions that range in throughput from several Gigabit-per-second to 100 Gigabit-per-second with common architecture. Our network processors are largely software compatible, making it possible for customers to easily port their network-processor applications among multiple product families based on our NPUs.

Products

Network Processor Chips

Our first product, the NP-1, was released in April 2002. The NP-1 was a single-chip, full-duplex, 10-Gigabit, seven-layer network processor with integrated classifiers. It provided fully programmable packet classification, modification and forwarding. The NP-1 was replaced by the NP-1c.

Continuing with our development of highly integrated products, in December 2003 we introduced the NP-1c network processor, which replaced the NP-1 processor. Like the NP-1, the NP-1c is a single-chip, full-duplex, 10-Gigabit network processor that integrates search engines, yet it offered a significant increase in performance and cost reduction due to its improved process technology. The NP-1c is essentially an improved and less expensive version of the NP-1 that uses a 0.13-micron chip manufacturing process. In June 2008 we announced the end-of-life of the NP-1c and final shipments were made during 2010.

The NP-2, introduced in July 2005, is, like its predecessor, the NP-1c, a single-chip, full-duplex, 10-Gigabit (20-Gigabit total) network processor. However, in addition to the integration of packet processing, classification search engines and MACs provided in the NP-1c, the NP-2 also includes traffic managers for improved QoS. By integrating the traffic management function directly into our network processor (unlike competing NPUs, where this function is generally performed by complementary chips), we offer our customers a cost-effective network processing solution that reduces power dissipation and system design costs. The NP-2 network processor is available in three models with different speeds and feature sets, which enables the NP-2 to position itself in network processor market segments not reached by the NP-1 and NP-1c.

While the NP-1c was targeted mainly at service cards in communication applications, typically with one or two of these cards per chassis, the NP-2 addresses line card applications, which often have eight or more cards installed per chassis, and stand-alone "pizza box" applications.

Since all the NP-2 models are software compatible and share the same pin arrangement, customers may modify their NP-2 designs using the different NP-2 models to offer a range of products at differing price points. The NP-2 network processor is manufactured by TSMC.

The NP-3 is an enhanced version of NP-2, providing a significant increase in throughput. We offer two versions of the NP-3 network processor. The first is a special version developed jointly with Marvell for Cisco, and it sampled in 2007. We developed the second version for the general market independently of Marvell, and it sampled in 2008. Both versions are now in production. The NP-3 features greater throughput than the NP-2 through the use of 90nm silicon process, enhanced table lookup algorithms and faster memory interfaces. It also provides enhanced traffic management and an integrated offload engine for operations, administration and maintenance, or OAM, functions which are of great importance in carrier Ethernet equipment.

Pursuant to our agreement with Marvell, Marvell is responsible for the manufacturing and sells the customized version of the NP-3 to Cisco and pays us a fixed royalty fee that is comparable to the gross profit we would have generated had we sold the chip directly to Cisco. Since we do not incur any production costs under this model, sales to this customer result in a higher gross margin to our company. The standard NP-3 network processor is manufactured by IBM and is sold by us in a direct selling model to our other customers.

The NP-4, a 100-Gigabit NPU (total throughput), continues with our distinctive high level integration of functionality into the network processor. NP-4 offers higher throughput than NP-3 and targets 40-Gigabit, 100-Gigabit and up to 400-Gigabit line-card and pizza box carrier Ethernet applications. In addition to its integrated classifiers and traffic managers, the NP-4 includes Ethernet physical layer transceivers, or PHYs, and for some applications may eliminate the need for a separate fabric interface chip. Integration of these functions, normally performed by separate chips, is intended to further save our customers valuable space on their cards while reducing system costs and complexity. We began sampling the NP-4 in January 2010. We expect the NP-4 to enter into production during the second half of 2011.

We have entered into an agreement with Marvell pursuant to which Marvell will be the sole vendor for our NP-4 network processor. The NP-4 network processor will be manufactured by TSMC (see below in this Item 4.B "Information on the Company – Business Overview – Manufacturing"). Pursuant to our NP-4 agreement with Marvell, the NP-4 may be sold in two methodologies, (i) directs sales to the general market in which we will purchase the NP-4 from Marvell and sell it to our customers, and (ii) a royalty model, similar to the one implemented with NP-3, with respect to sales to Cisco.

In 2010, we begun work on the NP-5, a 200-Gigabit NPU (total throughput), that will provide a solid roadmap for our customers that use our NP-2, NP-3 and NP-4 processors. The NP-5 continues our strategy of increasing NPU integration, performance and functionality, to allow networking systems to deliver higher total throughput and greater port density at reduced cost points.

The NPA is a new series of network processors targeting Ethernet Access applications. Several models of the network processors are offered with combinations of 100-Megabit, 1-Gigabit and 10-Gigabit Ethernet ports. This family of access NPUs applies the technology we developed for our high-speed NPUs to allow building Ethernet access switching systems. In 2009, we sampled the first three members of the NPA product family: NPA-1, NPA-2 and NPA-3 that provide an aggregate throughput of 10-Gigabit.

In the latter part of 2010, the NPA-1, NPA-2 and NPA-3 went into production. We are currently completing work on a lower speed device, the NPA-0, which will complement our access NPU offerings to also address applications that require low throughput at low price points. We expect to sample the NPA-0 during 2011. In addition to functions available on NPA-1, the NPA-0 also integrates a CPU that can be used as the system host CPU. As such, the NPA-0 may serve as a complete system-on-a-chip and provide a cost and power effective solution for small access applications, such as mobile base-station traffic backhauling and branch office routing nodes.

With the addition of the NPA family of access NPUs, we now offer customers a broad range of NPUs ranging in throughput from several Gigabits to 100 Gigabits, and once the NP-5 becomes available, to 200 Gigabits, with similar architecture and software that can be ported to multiple product lines.

Evaluation Boards and Network-processor Based Systems

Although our primary business is selling network processor chips, we offer systems based on our network processor. Evaluation systems are usually required by customers to enable them to test their NPU-based systems. These systems also serve customers that focus and differentiate themselves through software applications and are in need of high-performance packet processing hardware platforms for their software applications. The systems we provide use similar software environments and vary in their form factor:

- NP-3 EZappliance is a stand-alone, self-contained box based on the NP-3.
- EZsystem is a stand-alone, self-contained box based on the NP-1c and NP-2.
- EZ-ATCA is based on the NP-2 and follows the Advanced Telecommunications Computing Architecture, or AdvancedTCA®, and is provided as a blade that can be plugged into an AdvancedTCA chassis.
- Evaluation systems for our NP-4 and NPA network processors in various form factors.

Development Software Toolkits

In order to facilitate our customers' adaptation of our products, we offer toolkits that assist our customers in creating, verifying and implementing solutions based on our network processors. These toolkits are used for customers' product development based on all of our network processors.

The EZdesign toolkit is a comprehensive software development toolset with a graphical user interface (GUI) for writing, testing and debugging programs for our network processors to implement a wide range of applications and reduce time to market of next-generation networking products. It includes a hardware-software simulator, a compiler, debugger and other utilities. We continually release new versions of the EZdesign toolset, providing functional enhancements.

EZdriver is a toolset that facilitates the development of the control path software for our systems. It enables applications that run on the control central processing unit, or CPU, to communicate with our network processors. EZdriver consists of routines that execute on the control CPU and provide an application program interface (API) to the network processor. It includes network processor configuration, microcode loading, creation and maintenance of network-processor lookup structures, sending and receiving frames to and from the network processor, as well as configuration and access to the network-processor statistics block.

To assist our customers in their application development, we also provide customers with a broad library featuring data plane code for a wide range of applications. These include Metro Ethernet protocols, MPLS (Multi-Protocol Label Switching), IPv4 and IPv6 routing, ACL (Access Control Lists), GPON/EPON OLT functionality, Network Address Translation and Server Load Balancing. New code is periodically added to this library.

Future Products

In order to maintain our technology leadership position and broaden the solutions we offer, we are currently developing next generation devices for both our NP high-speed NPUs and our low-speed NPA access NPUs.

In addition, during 2010 we opened a new design center in Kiryat Gat, a city located in the southern part of Israel, at which we are currently developing a new product line, targeting a different market segment which we believe will significantly increase our total addressable market. We are at a very early stage of development of the new product line and it will take several years for the new product line to generate revenues.

Technology

In general, a network processor is a programmable integrated circuit used in data communications that is capable of performing one or more of the following functions: packet classification (that is, identifying a packet of data based on known characteristics such as address or protocol), packet modification (that is, modifying the packet to comply with specified protocols), queue/policy management (that is, reflecting the organization and prioritization of the processing of specific packets) and packet forwarding (that is, transmission and receipt of data and forwarding or routing the packet to the appropriate address). Performance of these functions requires the network processor device to handle identification, classification and processing tasks simultaneously.

Our NPUs integrate many high-speed task optimized processors, or TOPs, each specifically designed and optimized to perform a specific task. Four types of TOPs – parse, search, resolve and modify – are employed in our NPUs to perform the main tasks of packet processing, which are classification, forwarding and modification. Each type of TOP employs a unique architecture with a customized, function-specific data path and instruction set. This minimizes the number of clock cycles required for complex packet manipulation and provides exceptionally fast packet processing. TOP performance is boosted by a super-scalar architecture in which multiple instances of the TOPs operate in parallel within each pipeline stage.

Our NPUs feature embedded search engines (TOPsearch) that perform table lookups needed for implementing diverse applications. These search engines implement proprietary and patented lookup algorithms that utilize dynamic random access memory, or DRAM, chips for storing the lookup tables and reduce the need for more expensive content addressable memory, or CAM, and static random access memory, or SRAM, chips.

Our network processors also incorporate integrated traffic managers for advanced QoS, which is required by increasingly complex networks. After modification, packets are put in queues that are managed by the traffic manager to control the priority, bandwidth utilization and scheduling of packets as well as dealing with congestion scenarios. The traffic management provides QoS for video, voice and data services in packet-based networks and enables carriers to offer service level agreements, or SLA, to their customers. By integrating this functionality into our network processors, the need for our customers to employ a separate traffic management chip is eliminated.

We consider the processing flexibility and the ability to implement and integrate the main network processing features into a single chip as one of the primary advantages of our technology. We intend to continue to provide this high level of integration in future products under development.

Research and Product Development

Currently, 118 employees, representing approximately 75% of our employees, are engaged in research and development. Our senior executives devote a substantial portion of their time in communicating with customers to determine what product needs should be addressed. Since April 2006, our research and development efforts have been financed, in part, through grants from the OCS. Our research and development expenses, net were approximately \$13.0 million in 2008, \$13.2 million in 2009 and \$13.7 million in 2010. We received research and development grants of approximately \$3.0 million in 2008, \$3.0 million in 2009 and \$3.2 million in 2010.

Sales and Marketing

Our objective is to become a leading supplier of Ethernet network processors. To meet this objective, we devote significant resources to securing new customers, preferably leading networking equipment vendors, and we place an emphasis on assisting our existing customers in bringing their products to mass market production.

In general, it takes a customer 18 to 24 months to design and bring to market a networking product based on our network processor chips. During this design phase, the revenues we recognize are mostly attributable to the sale of evaluation systems and development software toolkits that our customers use to assist in the development of their own network processor based products. As customers move to development of their own boards incorporating our network processor, they purchase sample chips from us for testing purposes. Once their own designs are completed, customers move into production phase where they begin to manufacture their products. At this point customers purchase a limited number of network processors for the initial production stage. Depending upon the acceptance of their products in the marketplace and the speed of deployment of projects with them, the customer may or may not increase production. Volume production of a customer's product is expected to translate into volume sales of our network processors. We have no direct influence upon the sales and marketing of our customers' products.

Since we expect the NPU market to continue to grow, we believe that by securing more customers and more design wins we are strengthening our market position and increasing our potential market share. We work closely with existing and potential customers in their design of systems and equipment where the capabilities of our products can be exploited. We target designers, manufacturers and vendors of networking equipment and other large-scale packet processing network systems.

To facilitate marketing efforts, we have built on our extensive industry exposure through press, conferences and trade shows and have established sales and support offices in California and Massachusetts, as well as local support in China. Currently, our sales, marketing and support staff consists of 21 professionals and administrative personnel. This sales force consists of persons with technical training and significant experience in the semiconductor industry. Sales efforts are augmented by the direct involvement of our senior executives, who work closely with customers to determine product needs. In some parts of the world our strategy is to work with local marketing channels, including sales agents, resellers and distributors. These channels are assigned territories of primary responsibility, with exclusive rights in some cases. We will consider the need for local sales offices when justified by the circumstances. Our in-house sales and marketing force and the external marketing channels are also responsible for providing local technical support.

Our marketing communications activities include:

- seminar programs, trade shows, guest speaker invitations and technical conferences;
- public relations activities and customer events;
- technical articles in industry publications and marketing collateral materials; and
- communications on the Internet.

We also work with leading vendors of complementary technologies to provide our customers with fully interoperable solutions. We provide interoperability with devices from numerous semiconductor companies, including Broadcom (including through the recently acquired Dune Networks), Broadlight, Cortina, Marvell, NetLogic, PMC-Sierra, Vitesse and Zarlink.

Customers and Customer Support

Most of our customers are vendors of networking equipment to which we sell directly or through contract manufacturers or distributors.

Our processors target the Carrier Ethernet equipment market, which consists of five major segments. Fourteen vendors have significant market share within these five Carrier Ethernet market segments, although not all vendors are active in all segments. There are many additional vendors actively providing equipment into the various segments, presently with relatively small market shares. Each vendor that is active in one or more Carrier Ethernet segment represents one or more potential platforms that may use our processors. Out of the 14 main vendors, currently 11 are EZchip's customers. We continue to work towards expanding into additional product lines and market segments with our existing customers, as well as winning new customers.

Within the five segments of the Carrier Ethernet market, CESR is currently our main market and where we derive most of our revenues. There are seven main players in the CESR segment, of which six are currently customers for our NPUs. Two major tier-1 CESR vendors are currently our principal customers, and these vendors are building several of their CESR platforms based on our network processors:

- Juniper Networks, which accounted for approximately 40% of our 2010 revenues, entered production with NP-2 based products in 2007 and continued to launch additional products that incorporate our NPUs during 2008 and 2009. In October 2009, Juniper Networks announced its launch of a new family of processors and networking systems incorporating internally developed chips. We expect that over time, as this new family of Juniper Networks products replaces the products that incorporate our NPUs, Juniper Networks will significantly reduce and ultimately discontinue its purchases from us. We believe we will begin generating significant revenues from Cisco, as described below, and additional tier-1 customers before Juniper Networks significantly reduces or discontinues its purchases from us in the future, following its announcement in October 2009. However, due to the lengthy design and development cycle, and other matters beyond our control, it is difficult to predict the time and manner in which Juniper Networks' revenue will decline, and when Marvell through Cisco and our other customers will enter into more solid and predictable ramp up phases.
- Cisco has selected a customized version of the NP-3 and NP-4, based on our agreements with Marvell, for its principal CESR platforms. Pursuant to our agreement with Marvell, Marvell is responsible for the manufacturing and selling of the customized version of the NP-3 and NP-4 to Cisco and pays us a fixed royalty fee that is comparable to the gross profit we would have generated had we sold the chip directly to Cisco. Since we do not incur any production costs under this model, sales to Cisco result in a higher gross margin to our company. Cisco entered production with the NP-3 during the first quarter of 2009 and accounted for approximately 20% of our 2010 revenues. We expect Cisco, through Marvell, to become our largest customer and the main driver of our revenue growth in the coming years.

Customer support is provided from our Israeli headquarters and our offices in the United States and by local support in China. Our primary business center in the United States is located on the West Coast in the Silicon Valley area and a Boston-area office services the Eastern United States and Europe. A representative in China supports our Chinese customers.

We offer training courses to provide our customers with a complete understanding of our products and toolsets.

Competition

The semiconductor market, particularly the high-performance semiconductor market, is highly competitive and subject to rapid technological change, price erosion and heightened international competition. Especially in an area such as network processors, where technology has not been standardized and where applications are in early stages of development, competitive pressures can be intense. There are currently two vendors in addition to us that provide high-speed network processors that target the metro and access switches, and edge routers: Sandburst Corporation (part of Broadcom Corporation) and Xelerated, Inc. In addition, Broadcom Corporation (including through Dune Networks that was recently acquired by Broadcom) and Marvell have released switch ASICs (non-programmable chips) that target these market segments as well. Agere Systems Inc. (which was acquired by LSI) and Wintegra Inc. (which was acquired by PMC-Sierra in 2010) are focused on lower speed applications. Our NPA access NPUs compete with NPUs from these lower speed NPU vendors. Some customers use FPGAs, mainly from Altera Corporation and Xilinx Inc., to implement packet processing functions and these may be competing solutions as well. We also experience major competition from customers' internal chip design teams who choose to develop their own network processors or in-house ASIC solutions, especially in the CESR segment. Some of our competitors or potential competitors are larger, have significantly greater sales, have greater financial resources and are better known.

We believe that the principal elements of competition in the market for advanced network processors are integration, flexibility and price. Integration reduces the chip count (the number of chips needed in a given application to achieve the system manufacturer's design goals), board space, power usage (the watts of electric power required to operate the chip) and ultimately the overall price of a system solution. Flexibility implies ability to address changing market processing requirements through programming and downloading of new code to the network processor.

Our research and development efforts seek to maximize integration and programming flexibility while minimizing production costs. Our ability to compete in this emerging market depends largely upon our ability to offer better design and performance than our competitors.

We believe we are the only network processor vendor that currently offers solutions that range in throughput from a few Gigabit to 100 Gigabit per second, all based around common architecture and software. Other vendors focus on either the high-speed segment (over 20-Gigabit per second) or the low speed segment (up to 10-Gigabit per second).

Most of our network processor competitors' currently-announced products use separate chips for traffic management or provide lesser flexibility or provide lesser throughput.

When compared to the non-programmable ASIC solutions, we believe that our network processors bring flexibility that addresses customers' needs to support new applications, especially in carrier Ethernet equipment, at a reasonable price differential when compared to the price of ASIC solutions.

FPGAs, in particular when used for high-speed packet processing solutions, usually provide less integration of features at a higher cost as compared to network processors.

Our experience in developing several generations of network processors with integrated traffic managers, as well as working closely with leading carrier equipment vendors has enabled us to develop the expertise and gain deep understanding of our target systems, the requirements and how they are best addressed. We believe this represents a considerable barrier of entry for potential competitors.

While we believe that our network processors surpass the known products of our competitors in these characteristics, there can be no assurance that our products will retain their differentiation or competitive edge for any specific period of time.

Intellectual Property Rights

We rely primarily on a combination of patents, trademarks, trade secret laws, confidentiality procedures and licensing arrangements to protect our intellectual property rights, as well as limiting access to the distribution of proprietary information. We cannot assure you that the steps taken to protect our intellectual property rights will be adequate to prevent misappropriation of our technology or to preclude competitors from independently developing such technology. Furthermore, we cannot assure you that, in the future, third parties will not assert infringement claims against us or with respect to our products.

The semiconductor industry is characterized by substantial litigation regarding patent and other intellectual property rights. Third parties may claim that we are infringing upon their intellectual property rights. We have certain indemnification obligations to customers with respect to the infringement of third party intellectual property rights by our products. There can be no assurance that infringement claims by third parties or claims for indemnification by customers or end users of our products resulting from infringement claims will not be asserted in the future or that such assertions, if proven to be true, will not materially adversely affect our business, financial condition or operating results. In the event of any adverse ruling in any such matter, we could be required to pay substantial damages, which could include treble damages, cease the manufacturing, use and sale of infringing products, discontinue the use of certain processes or obtain a license under the intellectual property rights of the third-party claiming infringement. There can be no assurance that a license would be available on reasonable terms or at all. Any limitations on our ability to market our products, any delays and costs associated with redesigning our products or payments of license fees to third parties or any failure by us to develop or license a substitute technology on commercially reasonable terms could have a material adverse effect on our business, financial condition and operating results.

We hold four United States patents, No. 6,532,457, No. 6,594,655, No. 6,625,612 and No. 6,778,534. These patents may not provide any meaningful protection or commercial advantage to us, as they may not be of sufficient scope or strength, or may not be issued in all countries where our products can be sold. There can be no assurance that others will not develop technologies that are similar or superior to our technology, or design around any patents issued to us. Despite our efforts to protect our proprietary rights, unauthorized parties may copy aspects of our products or obtain and use information that we regard as proprietary. Policing any of such unauthorized uses of our products is difficult, and although we are unable to determine the extent to which piracy of our software products exists, software piracy can be expected to be a persistent problem. In addition, the laws of some foreign countries do not protect proprietary rights as fully as do the laws of the United States or Israel. There can be no assurance that our efforts to protect our proprietary rights will be adequate or that our competitors will not independently develop similar technology.

Manufacturing

While we engineer and design our products, we do not own or operate a semiconductor fabrication facility and we do not have the resources to manufacture our products internally.

TSMC manufactures our NP-2 line of products using the 0.13 micron process, the special version of our NP-3 NPU, which we developed with Marvell, and the NPA-1, NPA-2 and NPA-3 products, using the 90 nanometer process. IBM manufactures our NP-3 line of products using the 90 nanometer process. TSMC also manufactures the NP-4 using the 55 nanometer process. We work with TSMC through third parties that coordinate and assume responsibility for the manufacturing process. This fabless manufacturing model enables us to focus on our engineering and design strengths, minimize fixed costs on capital expenditures and still have access to high-volume manufacturing capacity.

We expect that all of our products will be single sourced from fabrication facilities and any late delivery or failure to deliver products could result in delays in satisfying customer demand, increased costs and loss of revenues.

We have been awarded ISO 9001:2000 certification.

C. ORGANIZATIONAL STRUCTURE

We are organized under the laws of the State of Israel. We have two wholly owned subsidiaries: EZchip Technologies Ltd., a corporation organized under the laws of the State of Israel, and its wholly-owned subsidiary EZchip Inc., a corporation incorporated under the laws of the State of Delaware.

D. PROPERTY, PLANTS AND EQUIPMENT

We do not own any real property. Our principal development, marketing and administrative facilities occupy approximately 33,500 square feet of a building in Yokneam, Israel, at an aggregate rental cost of approximately \$440,000 in 2010. The lease for our principal offices expires in January 2014.

In October 2010, we leased a development facility in Kiryat Gat, Israel. We occupy approximately 4,900 square feet, at an aggregate annual rental cost of approximately \$60,000. The lease expires in October 2015, and we have an option to extend the lease for an additional five years.

We conduct our sales operations through two locations in the United States. We lease office space in California and Massachusetts under one-year renewable leases. The aggregate rental cost for the two offices was approximately \$85,000 in 2010.

Our principal capital expenditures to date have been the purchase of equipment and other fixed assets used in our business, mainly in Israel. These purchases totaled \$110,000 in 2008, \$319,000 in 2009 and \$224,000 in 2010. Our capital expenditures in 2008, 2009 and 2010 were spent primarily for the procurement of research and development hardware equipment and software tools.

ITEM 4A UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

A. OPERATING RESULTS

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

General

We are engaged in the development and marketing of Ethernet network processors for networking equipment.

We maintain our accounts in U.S. dollars, because the U.S. dollar is the currency of the primary economic environment in which our operations are conducted. We hold most of our cash, cash equivalents and marketable securities in U.S. dollars, sales prices are quoted in U.S. dollars and the majority of purchases of materials and components are quoted invoiced and paid in U.S. dollars. In addition, a majority of other expenses, principally research and development engineering services and marketing expenses, are incurred outside Israel in U.S. dollars or paid in U.S. dollars. See Note 2b to our consolidated financial statements. Nevertheless, a significant portion of the cost of our Israeli operations, mainly personnel related, is incurred in NIS.

Our consolidated financial statements appearing in this annual report are prepared in U.S. dollars and in accordance with generally accepted accounting principles in the United States, or U.S. GAAP.

Critical Accounting Policies

The preparation of financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, we evaluate our estimates and judgments. We base our estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Under different assumptions or conditions, actual results may differ from these estimates.

We believe the following critical accounting policies, among others, affect our more significant judgments and estimates used in the preparation of our consolidated financial statements:

Revenue Recognition

We generate our revenues mainly from sales of network processor chips and to a lesser extent from the sales of network-processor based systems, software tools, maintenance and support services.

Revenues from network processor chips and network processor-based systems are recognized upon shipment in accordance with the Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC 605 "Revenue Recognition," when persuasive evidence of an agreement exists, delivery of the product has occurred, the fee is fixed or determinable and collectability is probable. Generally, we do not have any significant obligations after delivery. We do not grant a right of return to our customers. In addition, if a sale does not meet all of the criteria, the sale is deferred until all criteria are met.

Revenues from sales of software tools and maintenance services, which are sold separately from other products, are recognized in accordance with FASB ASC 985-605 "Software." We use the "residual method" when vendor specific objective evidence, or VSOE, of fair value only exists for the maintenance.

In certain instances, we sell network processor-based systems together with software tools and maintenance and support services. In these cases, we comply with the requirements set forth in FASB ASC 605-25 "Revenue Recognition," relating to the separation of multiple deliverables into individual accounting units with determinable fair values. Revenues from such software tools and maintenance were immaterial during 2008, 2009 and 2010.

In 2006 and 2010, we signed agreements with Marvell. According to the agreements, Marvell manufactures and sells the customized version of our NP-3 and NP-4 network processors to Cisco and pays us royalties for each chip it sells to Cisco. Royalty revenue is recorded in accordance with ASC 605-45-45, "Considerations of Reporting Revenue Gross as a Principal versus Net as an Agent," on a net basis. In accordance with the agreements with Marvell, Marvell sends us royalty reports, once a month, which reflect the prior month's sales. Accordingly, we recognize royalty revenues in the month that follows the month in which the sales are made by Marvell.

Inventory Valuation

We are required to state our inventories at the lower of cost or market price. In assessing the ultimate realization of inventories, we are required to make judgments as to future demand requirements and compare that with the current or committed inventory levels. Inventory write-offs are provided for slow-moving items or technological obsolescence and are recorded in the consolidated statements of operations. Once inventory is written down, a new cost basis is established for future periods.

Goodwill

Goodwill reflects the excess of the purchase price of an acquired business over the fair value of net assets acquired. We adopted FASB ASC 350 "Intangibles-Goodwill and other," under which goodwill is not amortized but instead is tested for impairment at least annually (or more frequently if impairment indicators arise). We determined December 31 as the date of the annual impairment test. We operate in one operating segment, which segment comprises our only reporting unit. ASC 350 prescribes a two-phase process for impairment testing of goodwill. The first phase screens for impairment while the second phase (if necessary) measures impairment. In the first phase of impairment testing, goodwill attributable to the reporting unit is tested for impairment by comparing the fair value of the reporting unit with its carrying value. As of December 31, 2010, no instances of impairment were found.

Equity-based Compensation Expense

We account for equity-based compensation in accordance with FASB ASC 718 "*Compensation-Stock Compensation*," which requires the measurement and recognition of compensation expense based on estimated fair values for all stock-based payment awards made to employees and directors. Under the fair value recognition provisions of this statement, stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as an expense over the requisite service periods. Determining the fair value of stock-based awards at the grant date requires the exercise of judgment, including the amount of stock-based awards that are expected to be forfeited. If actual results differ from these estimates, equity-based compensation expense and our results of operations could be impacted.

We measure the fair value of our options using the Black-Scholes-Merton option pricing model. The option-pricing model requires a number of assumptions, of which the most significant are the expected stock price volatility and the expected option term. Expected volatility was calculated based upon actual historical stock price movements. The expected term of options granted was calculated using the simplified method (being the average between the vesting periods and the contractual life of the options in accordance with SAB 107, as replaced and amended, effective January 1, 2008, by SAB 110). The risk-free interest rate is based on the U.S. Treasury yield curve of bonds with an equivalent term to the expected life of the options. We have historically not paid dividends and currently have no intention to pay dividends in the foreseeable future.

Accounting for Income Tax

We account for income taxes in accordance with FASB ASC 740, "*Income Taxes*." ASC 740 prescribes the use of the liability method whereby deferred tax assets and liability account balances are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

We record a valuation allowance to reduce our deferred tax assets to the amount that we believe is more likely than not to be realized. In assessing the need for a valuation allowance, we consider all positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial performance. Forming a conclusion that a valuation allowance is not required is difficult when there is negative evidence such as cumulative losses in the past. As a result of our cumulative losses in prior years and the utilization of our loss carryforward opportunities, we have recorded valuation allowances to reduce our net deferred tax assets to the amount we believe is more likely than not to be realized. While we have considered future taxable income and ongoing tax planning strategies in assessing the need for any valuation allowance, in the event we were to determine that we will be able to realize our deferred tax assets in the future in excess of the net recorded amount, an adjustment to the valuation allowance would increase income in the period such a determination is made. Likewise, should we determine that we would not be able to realize all or part of our net deferred tax assets in the future, an adjustment to the valuation allowance would be charged to expenses in the period such a determination is made.

On January 1, 2007, we adopted an amendment to FASB ASC 740, which contains a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of available evidence indicates that it is more likely than not that, on an evaluation of the technical merits, the tax position will be sustained on audit, including resolution of any related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. We recognize interest and penalties, if any, related to unrecognized tax benefits in our provision for income tax.

Marketable Securities

We account for our investments in marketable securities in accordance with FASB ASC 320 "*Investments - Debt and Equity Securities*." We determine the classification of marketable securities at the time of purchase and reevaluate such designations as of each balance sheet date. We classify all of our marketable securities as designated available-for-sale. Available-for-sale securities are carried at fair value, with the unrealized gains and losses reported as a separate component of shareholders' equity, accumulated other comprehensive income (loss). Realized gains and losses on sales of investments are included in earnings and are derived using the specific identification basis for determining the cost of securities. The amortized cost of debt securities is adjusted for amortization of premiums and accretion of discount to maturity. Such amortization, together with interest on securities, is included in the financial income, net.

We recognize an impairment charge when a decline in the fair value of our marketable securities below the cost basis is judged to be other-than-temporary. When evaluating the investments for other-than-temporary impairment, we review factors such as the length of time and extent to which the fair value has been below cost basis, the financial condition of the issuer and any changes to the issuer, and our intent to sell, or whether it is more likely than not we will be required to sell the investment before recovery of the investment's amortized cost basis.

Valuation of Financial Instruments

We account for certain assets and liabilities at fair value under ASC 820, "Fair Value Measurements and Disclosures". Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability. As a basis for considering such assumptions, ASC 820 establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

- Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets;
- Level 2 - Includes other inputs that are directly or indirectly observable in the marketplace, other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets with insufficient volume or infrequent transactions, or other inputs that are observable (model-derived valuations in which significant inputs are observable), or can be derived principally from or corroborated by observable market data; and
- Level 3 - Unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. We categorized each of our fair value measurements in one of these three levels of hierarchy.

Results of Operations

The following table presents, for the periods indicated, information concerning our results of operations.

	Year Ended December 31,		
	2008	2009	2010
	(in thousands, except per share data)		
Revenues	\$ 33,566	\$ 40,046	\$ 61,998
Costs of revenues	11,983	11,224	15,668
Amortization of existing technology	2,083	1,985	1,915
Gross profit	19,500	26,837	44,415
Operating expenses:			
Research and development, net	12,953	13,243	13,665
In-process research and development charge	5,125	--	--
Sales, general and administrative	7,467	8,697	10,001
Total operating expenses	25,545	21,940	23,666
Operating income (loss)	(6,045)	4,897	20,749
Financial income, net	1,408	902	1,130
Income (loss) before income taxes	(4,637)	5,799	21,879
Taxes benefit (taxes on income)	--	11,675	(8,236)
Net income (loss)	(4,637)	17,474	13,643
Less: Net (income) loss attributable to noncontrolling interest	37	(92)	--
Net income (loss) attributable to EZchip Semiconductor shareholders	\$ (4,600)	\$ 17,382	\$ 13,643
Basic net income (loss) per share attributable to EZchip Semiconductor shareholders	\$ (0.20)	\$ 0.74	\$ 0.54
Diluted net income (loss) per share attributable to EZchip Semiconductor shareholders	\$ (0.20)	\$ 0.66	\$ 0.52

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

Revenues

We generate our revenues mainly from sales of network processor chips and to a lesser extent from the sales of network processor-based systems, software tools and services. For the year ended December 31, 2010, revenues increased by \$22.0 million, or 55%, to \$62.0 million from \$40.0 million for the year ended December 31, 2009, primarily as a result of increased sales to Juniper Networks and Cisco (through Marvell). Juniper Networks, currently our largest customer, accounted for \$25.0 million (40% of revenues) in 2010, compared to \$21.6 million (54% of revenues) in 2009. Cisco through Marvell accounted for \$12.5 million (20% of revenues) in 2010, compared to \$3.1 million (8% of revenues) in 2009. Marvell manufactures and sells a customized version of our NP-3 processor to Cisco and pays us royalties for each chip it sells to Cisco. We recognize revenues on account of such sales on a net basis. ZTE Corporation accounted for \$6.0 million (10% of revenues) in 2010, compared to \$1.5 million (4% of revenues) in 2009. Our other customers as a group accounted for \$18.5 million (30% of revenues) in 2010, compared to \$13.8 million (34% of revenues) in 2009.

Cost of Revenues

Cost of revenues consists primarily of the cost of network processor chips purchased from our contract manufacturers and to a lesser extent from the cost of network processor-based systems, labor costs and other supply chain management and facilities related costs. For the year ended December 31, 2010, our cost of revenues increased by \$4.5 million, or 40%, to \$15.7 million (25% of revenues) from \$11.2 million (28% of revenues) for the year ended December 31, 2009. The increase in cost of revenues is mainly attributable to the growth in revenues. The decrease in cost of revenues as a percentage of revenues is mainly attributable to higher portion of royalty revenues from Marvell, which bear no cost of goods sold (other than royalties due to the OCS in connection with grants received from the OCS in the current and prior years).

Amortization of Existing Technology

Amortization of existing technology reflects the amortized cost of the intangible asset - "existing technology" - acquired in connection with the purchases of EZchip Technologies shares in the share exchange transactions (as described below under Item 5B, "- Liquidity and Capital Resources" and in Notes 3 and 10 to our consolidated financial statements). Each of the EZchip Technologies' share acquisitions (other than the 2009 employee exchange offer) was accounted for according to the purchase method of accounting and accordingly, the respective purchase price was allocated to the assets acquired and liabilities assumed based upon their estimated fair values at the respective dates of acquisition. Existing technology is being amortized using the straight-line method over its useful life, which is up to four years. For the year ended December 31, 2010, amortization of existing technology decreased by \$0.1 million, or 5%, to \$1.9 million from \$2.0 million for the year ended December 31, 2009.

Gross Profit

For the year ended December 31, 2010, gross profit increased by \$17.6 million, or 66%, to \$44.4 million (72% of revenues) from \$26.8 million (67% of revenues) for the year ended December 31, 2009, primarily as a result of the increase in revenues. The increase in gross profit as a percentage of revenues is mainly the result of higher portion of royalty revenues from Marvell, which bear no cost of goods sold (other than royalties due to the OCS in connection with grants received from the OCS in the current and prior years), as well as from relatively flat year-over-year labor costs, amortization of intangible assets and stock based compensation.

Research and Development Expenses, Net

Research and development expenses consist primarily of the salary and benefits of engineers and costs related to external engineering design services (non-recurring engineering costs). Since April 1, 2006, we have received research and development participation grants from the OCS. For the year ended December 31, 2010, research and development costs increased by \$0.6 million, or 4%, to \$16.9 million (excluding OCS grants of \$3.2 million) from \$16.3 million (excluding OCS grants of \$3.0 million) for the year ended December 31, 2009. The increase in research and development expenses is mainly attributable to higher labor costs resulting primarily from an increase in the number of research and development employees. We expect research and development expenses to increase significantly in 2011, mainly as a result of the new product line development that is being conducted at our new design center in Kiryat Gat, targeting a different market segment.

Sales, General and Administrative Expenses

Sales, general and administrative expenses consist primarily of salaries, commissions to third party sales representatives, participation in trade shows and travel expenses, as well as legal, accounting and other services and administrative costs. For the year ended December 31, 2010, such expenses increased by \$1.3 million, or 15%, to \$10.0 million from \$8.7 million for the year ended December 31, 2009. The increase is primarily attributable to a higher level of labor costs, sales commissions to third party representatives and a higher level of share-based compensation expenses under ASC 718.

Financial Income, Net

Financial income, net reflects the income or expenses from traditional interest income or financing expenses and from exchange rate fluctuations and currency translation. For the year ended December 31, 2010, net financial income increased by \$0.2 million to \$1.1 million from net financial income of \$0.9 million for the year ended December 31, 2009. This increase is attributable mainly to higher levels of cash, cash equivalents short-term deposits and marketable securities in the 2010 period.

Taxes benefit (taxes on income)

For the year ended December 31, 2010, we recorded taxes on income of \$8.2 million, as compared to a tax benefit of approximately \$11.7 million for the year ended December 31, 2009. The tax benefit in 2009 was derived from an increase in deferred tax assets, reversing valuation allowances on deferred tax assets. The \$8.2 million tax expense in 2010 resulted from utilization of the deferred tax asset. We expect to utilize the remainder of the deferred tax asset during 2011, after which we expect to start utilizing certain tax benefits available to our Approved and Privileged Enterprise programs.

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

Revenues

For the year ended December 31, 2009, revenues increased by \$6.4 million, or 19%, to \$40.0 million from \$33.6 million for the year ended December 31, 2008. Juniper Networks, currently our largest customer, accounted for \$21.6 million (54% of revenues) in 2009, compared to \$18.4 million (55% of revenues) in 2008. Juniper Networks entered production with NP-2 based products in 2007 and continued to launch additional products that incorporate our NP-2 processors during 2008 and 2009. Cisco through Marvell accounted for \$3.1 million (8% of revenues) in 2009, compared to \$0.7 million (2% of revenues) in 2008. We recognize revenues on account of such sales on a net basis. Our other customers as a group accounted for \$15.3 million (38% of revenues) in 2009, compared to \$14.5 million (43% of revenues) in 2008. Excluding the NP-1c processor, which reached its end-of-life in early 2009 and is no longer offered by us, other customers as a group increased by \$3.3 million, or 33%, to \$13.3 million for the year ended December 31, 2009 from \$10.0 million for the year ended December 31, 2008.

Cost of Revenues

For the year ended December 31, 2009, our cost of revenues decreased by \$0.8 million, or 6%, to \$11.2 million (28% of revenues) from \$12.0 million (36% of revenues) for the year ended December 31, 2008. The decrease in cost of revenues is mainly attributable to lower unit costs resulting from increased manufacturing volume, as well as favorable product and customer mix. The decrease in cost of revenues as a percentage of revenues is attributable to the foregoing, as well as increased royalty revenues from Marvell, which bear no cost of goods sold (other than royalties due to the OCS in connection with grants received from the OCS in the current and prior years).

Amortization of Existing Technology

For the year ended December 31, 2009, amortization of existing technology decreased by \$0.1 million, or 5%, to \$2.0 million from \$2.1 million for the year ended December 31, 2008.

Gross Profit

For the year ended December 31, 2009, gross profit increased by \$7.3 million, or 38%, to \$26.8 million (67% of revenues) from \$19.5 million (58% of revenues) for the year ended December 31, 2008, primarily as a result of the increase in revenues. The increase in gross profit as a percentage of revenues is mainly the result of lower unit costs resulting from increased manufacturing volume, favorable product and customer mix and a higher portion of royalty revenues from Marvell, which bear no cost of goods sold (other than royalties due to the OCS in connection with grants received from the OCS in the current and prior years).

Research and Development Expenses, Net

For the year ended December 31, 2009, research and development costs remained substantially constant at \$16.3 million (excluding OCS grants of \$3.0 million) compared to \$16.0 million (excluding OCS grants of \$3.0 million) for the year ended December 31, 2008.

In-Process Research and Development Charge

We recorded in-process research and development charges of \$5.1 million in the year ended December 31, 2008 in connection with our purchases of EZchip Technologies' shares in January 2008. See Note 3 to the consolidated financial statements. We did not record any in-process research and development charges in the year ended December 31, 2009 as the 2009 employee exchange offer was accounted for in accordance with ASC 810.

Sales, General and Administrative Expenses

For the year ended December 31, 2009, sale, general and administrative expenses increased by \$1.2 million, or 16%, to \$8.7 million from \$7.5 million for the year ended December 31, 2008. This increase is primarily attributable to a higher level of share-based compensation expenses under ASC 718 and amortization of intangible assets acquired in connection with our purchase of shares of EZchip Technologies in prior years.

Financial Income, Net

For the year ended December 31, 2009, net financial income decreased by \$0.5 million to \$0.9 million from net financial income of \$1.4 million for the year ended December 31, 2008. This decrease is attributable mainly to lower prevailing interest rates in the 2009 period.

Taxes benefit (taxes on income)

For the year ended December 31, 2009, we recorded an income tax benefit of approximately \$11.7 million. The benefit was derived from an increase in deferred income tax assets, reversing valuation allowances on deferred income tax assets. We did not record an income tax benefit or taxes on income for the year ended December 31, 2008.

Effective Corporate Tax Rate

Israeli companies were subject to corporate tax at the rate of 25% of their taxable income in 2010. The corporate tax rate was further reduced to 24% in 2011. In July 2009, the Knesset passed the Law for Economic Efficiency (Amended Legislation for Implementing the Economic Plan for 2009 and 2010), 2009, which prescribes, among other things, a gradual reduction in the rates of the Israeli corporate tax and real capital gains tax starting in 2011 to the following tax rates: 2011 - 24%, 2012 - 23%, 2013 - 22%, 2014 - 21%, 2015 - 20%, 2016 and thereafter - 18%. However, because we have elected to participate in the alternative package of tax benefits for our current Approved and Privileged Enterprises, the income derived from these enterprises will be exempt from Israeli corporate tax for a specified benefit period (except to the extent that dividends are distributed during the tax-exemption period other than upon liquidation) and subject to reduced corporate tax rates for an additional period. The period of tax benefits for our Approved and Privileged Enterprises is valid for ten years following the first year in which the company generated net taxable income associated with each enterprise. Certain investment income derived by us from investments may not be regarded by the Israeli tax authorities as income from our Approved Enterprise or Privileged Enterprises and consequently, may be taxed at the regular statutory rate in Israel. As of December 31, 2010, we did not generate any tax-exempt income from our Approved Enterprise and Privileged Enterprises. See Item 10.E, "Taxation – Israeli Taxation – Law for the Encouragement of Capital Investments, 1959" for more information about these programs.

We, EZchip Technologies and EZchip Inc. had aggregate operating tax loss carryforwards of approximately \$46.4 million as of December 31, 2010 (\$31.2 million of which relate to EZchip Semiconductor, \$11.2 million of which relate to EZchip Technologies and \$4.0 million of which related to EZchip Inc.).

EZchip Inc. is subject to U.S. income taxes. Utilization of the U.S. net operating losses may be subject to substantial annual limitation due to the "change in ownership" provisions of the Internal Revenue Code of 1986 and similar state provisions. The annual limitation may result in the expiration of net operating losses before utilization.

We and EZchip Technologies have accumulated capital loss carryforwards in the amount of \$30.6 million.

To prepare our consolidated financial statements, we estimate our income taxes in each of the jurisdictions in which we operate. This process involves estimating our actual tax exposure together with assessing temporary differences resulting from the differing treatment of certain items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within our consolidated balance sheet.

We must also make judgments regarding the realizability of deferred tax assets. The carrying value of our net deferred tax asset is based on our belief that it is more likely than not that we will generate sufficient future taxable income in certain jurisdictions to realize these deferred tax assets. We have established a valuation allowance for deferred tax assets which we do not believe meet the "more likely than not" criteria. Our judgments regarding future taxable income may change due to changes in market conditions, changes in tax laws, tax planning strategies or other factors. If our assumptions and consequently our estimates change in the future, the valuation allowances we have established may be increased or decreased, resulting in a respective increase or decrease in income tax expense. Our effective tax rate is highly dependent upon the geographic distribution of our U.S. and Israeli earnings or losses, the tax regulations and tax holidays in the United States and Israel, the availability of tax credits and carryforwards.

Income tax positions must meet a more-likely-than-not recognition threshold to be recognized. Income tax positions that previously failed to meet the more-likely-than-not threshold are recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not threshold are derecognized in the first subsequent financial reporting period in which that threshold is no longer met. We recognize potential accrued interest and penalties related to unrecognized tax benefits within our consolidated statements of income as income tax expense.

Our Location in Israel

We are incorporated under the laws of the State of Israel, and our principal executive offices and principal research and development facilities are located in Israel. See Item 3.D. "Key Information – Risk Factors – Risks Relating to Our Location in Israel" for a description of governmental, economic, fiscal, monetary or political policies or factors that have materially affected or could materially affect our operations.

Impact of Currency Fluctuation

A significant portion of the cost of our Israeli operations, mainly personnel costs, is incurred in NIS. Therefore, our NIS related costs, as expressed in U.S. dollars, are influenced by the exchange rate between the U.S. dollar and the NIS. Also, NIS linked balance sheet items may create foreign exchange gains or losses, depending upon the relative dollar values of the NIS at the beginning and end of the reporting period, affecting our net income and earnings per share. Although we use hedging techniques, we cannot eliminate the effects of currency fluctuations. Exchange rate fluctuations resulting in a devaluation of the U.S. dollar compared to the NIS could have a material adverse impact on our operating results and share price. See Note 18 to our consolidated financial statements. See also discussion in Item 11, "Quantitative and Qualitative Disclosures About Market Risk."

Seasonality

Our operating results are generally not characterized by a seasonal pattern.

Recently Issued Accounting Standards

See Note 2y to our consolidated financial statements.

B. LIQUIDITY AND CAPITAL RESOURCES

Historically we have satisfied our financial requirements primarily through equity investments, funds provided by operations and research and development grants. Until 2006, our research and development was funded through the proceeds of third party investments, combined with contributions from our company. Since April 2006, our research and development efforts have been financed, in part, through grants from the OCS.

Working Capital; Cash, Cash Equivalents; Short-Term Deposits and Marketable Securities. As of December 31, 2010, we had \$111.6 million in working capital and \$101.3 million in cash, cash equivalents, short-term deposits and marketable securities, compared to \$75.0 million in working capital and \$67.2 million in cash, cash equivalent and marketable securities as of December 31, 2009 and \$52.6 million in working capital and \$48.1 million in cash, cash equivalents, short-term deposits and marketable securities as of December 31, 2008.

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

	Year ended December 31,		
	2008	2009	2010
	(in thousands)		
Statement of Cash Flows Data:			
Net cash provided by operating activities	\$ 6,242	\$ 17,083	\$ 26,028
Net cash used in investing activities	(16,834)	(4,741)	(37,851)
Net cash provided by financing activities	8	1,518	9,060
Increase (decrease) in cash and cash equivalents	(10,584)	13,860	(2,763)
Cash and cash equivalents — beginning of year	31,472	20,888	34,748
Cash and cash equivalents — end of year	\$ 20,888	\$ 34,748	\$ 31,985

Net cash provided by operating activities was approximately \$26.0 million for the year ended December 31, 2010 compared with net cash provided by operating activities of approximately \$17.1 million for the year ended December 31, 2009 and net cash used in operating activities of approximately \$6.2 million for the year ended December 31, 2008. The improvement in cash flows from operating activities in 2010 and 2009 resulted from the increase in revenues during 2010 (55% over 2009) and 2009 (19% over 2008), while gross margins improved (as explained above) in 2010 and 2009. There was no material change in the mix or type of expenses used in operating activities during 2008 through 2010.

Net cash used in investing activities was approximately \$37.9 million for the year ended December 31, 2010. Of such amount, approximately \$37.3 million, net, was used to purchase marketable securities and for investment in short term deposits, approximately \$0.4 million was used to purchase property and equipment and \$0.2 million was used to invest in an affiliated company (see Note 2j to our consolidated financial statements). Net cash used in investing activities was approximately \$4.7 million for the year ended December 31, 2009. Of such amount, approximately \$4.6 million, net, was used to purchase marketable securities and for investment in short term deposits and approximately \$0.1 million was used to purchase property and equipment. Net cash used in investing activities was approximately \$16.8 million for the year ended December 31, 2008. Of such amount, approximately \$16.7 million, net, was used to purchase marketable securities and approximately \$0.1 million was used to purchase property and equipment.

For the year ended December 31, 2010, net cash provided by financing activities was \$9.1 million, of which approximately \$8.0 million was attributable to proceeds from the exercise of employee stock options and approximately \$1.1 million, net from the issuance of shares in an underwritten public offering. For the year ended December 31, 2009, net cash provided by financing activities was approximately \$1.5 million, attributable to proceeds from the exercise of employee stock options. For the year ended December 31, 2008, net cash provided by financing activities was approximately \$8,000.

We believe that our available cash, cash equivalents short term deposits and marketable securities balances will provide sufficient cash resources to finance our operations at least through the next 12 months.

Public Offerings. In December 2009, we concluded a public offering of our ordinary shares, as described below under Item 7.B. "Major Shareholders and Related Party Transactions – Related Party Transactions." We used all the net proceeds from the December 2009 public offering to purchase a portion of the securities of EZchip Technologies tendered in the Employee Exchange Offer, as described below under Item 7.B. "Major Shareholders and Related Party Transactions – Related Party Transactions."

In January 2010, we issued and sold 106,893 ordinary shares for a total amount of \$1.1 million following the exercise by the underwriter of its over-allotment option granted in the 2009 underwritten public offering.

C. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

Currently, 118 employees, representing approximately 75% of our employees, are engaged in research and development. EZchip Technologies' senior executives devote a substantial portion of their time in communicating with customers to determine what product needs should be addressed.

Since April 2006, our research and development efforts have been financed, in part, through grants from the OCS. The following table sets forth our research and development expenses for the periods indicated:

	Year Ended December 31,		
	2008	2009	2010
	(in thousands)		
Research and development expenses	\$ 15,964	\$ 16,292	\$ 16,863
Less Office of the Chief Scientist grants	3,011	3,049	3,198
Research and development expenses, net	\$ 12,953	\$ 13,243	\$ 13,665

We rely primarily on a combination of patents, trademarks, trade secret laws, confidentiality procedures and licensing arrangements to protect our intellectual property rights, as well as limiting access to the distribution of proprietary information. We cannot assure you that the steps taken to protect our intellectual property rights will be adequate to prevent misappropriation of our technology or to preclude competitors from independently developing such technology. Furthermore, we cannot assure you that, in the future, third parties will not assert infringement claims against us or with respect to our products.

We hold four U.S. registered patents:

1. No. 6,532,457: Look-ahead tree structure
2. No. 6,594,655: Wildcards in radix search tree structures.
3. No. 6,625,612: Deterministic search algorithm.
4. No. 6,778,534: High-performance network processor.

These patents may not provide any meaningful protection or commercial advantage to us, as they may not be of sufficient scope or strength, or may not be issued in all countries where our products can be sold.

D. TREND INFORMATION

See Item 4.B “Information on the Company – Business Overview” and the discussion in Item 5.A “Operating Results and Financial Review and Prospects – Operating Results.”

E. OFF-BALANCE SHEET ARRANGEMENTS

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

F. TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The following table summarizes our material contractual obligations as of December 31, 2010:

Contractual Obligations	Total	Payments due by period			
		Less than 1 year	1–3 years	4–5 years	More than 5 years
Operating lease obligations	\$ 504	\$ 369	\$ 135	\$ --	\$ --
Uncertain income tax position (1)	296	--	--	--	--
Severance pay (2)	5,974	--	--	--	--
Total	\$ 6,774	\$ 369	\$ 135	\$ --	\$ --

- (1) Uncertain income tax position under FASB ASC 740, “Income Taxes,” is due upon settlement and we are unable to reasonably estimate the ultimate amount or timing of settlement. See Note 15a to our consolidated financial statements for further information regarding our liability under ASC 740.
- (2) Severance pay relates to accrued severance obligations to our Israeli employees as required under Israeli labor law. These obligations are payable only upon termination, retirement or death of the respective employee and there is no obligation if the employee voluntarily resigns. Of this amount, \$0.8 million is unfunded.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. DIRECTORS AND SENIOR MANAGEMENT

Set forth below are the name, age, principal position and a biographical description of each of our directors and executive officers:

Name	Age	Position(s)
Benny Hanigal(1)	61	Chairman of the Board
Eli Fruchter(1)(2)	55	Director, President and Chief Executive Officer of EZchip Technologies
Dror Israel	42	Chief Financial Officer
Amir Eyal	51	Vice President – Business Development of EZchip Technologies
Ran Giladi (1)(3)	56	Director
Karen Sarid (3)(4)	60	Director
Shai Saul (1)(3)(4)(5)	49	Director
David Schlachet (2)(3)(4)(5)	65	Director

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- (1) Member of our Strategy Committee.
 - (2) Member of our Risk Management Committee.
 - (3) "Independent Director" under rules of the Securities and Exchange Commission, NASDAQ Listing Rules and the Israeli Companies Law (see explanation below)
 - (4) Member of our Audit Committee.
 - (5) "Outside Director" within the meaning of the Israeli Companies Law (see explanation below)

Benny Hanigal has served as the Chairman of our Board of Directors since December 2007, and as the Chairman of the Board of Directors of EZchip Technologies since December 2006. Since August 2001, Mr. Hanigal has been a partner in Sequoia Capital Venture Fund. In 1985, Mr. Hanigal founded Lannet Ltd., of which Mr. Hanigal served as President and Chief Executive Officer until 1995. In 1995, Lannet Ltd. was acquired by Madge Networks N.V., which thereafter employed Mr. Hanigal until he left in June 1997. From January 1998 until 2001, Mr. Hanigal served as a managing director of a company that manages one of the Star funds. Mr. Hanigal also serves as a director of Alvarion Ltd. Mr. Hanigal holds a B.Sc. degree in Electrical Engineering from the Technion - Israel Institute of Technology.

Eli Fruchter serves as the President and Chief Executive Officer of EZchip Technologies, a position that he has held since EZchip Technologies' inception in May 1999, and has served as a director of our company since its inception and Chairman of our Board of Directors from December 2006 until December 2007. Mr. Fruchter co-founded our company and from 1990 to 1999 he served as our General Manager and the Chairman of our Board of Directors. Prior to that, he was also among the founders of Adacom Technologies Ltd., a manufacturer of data communications products. Mr. Fruchter holds a B.Sc. degree in Electrical Engineering from the Technion - Israel Institute of Technology.

Dror Israel has served as our Chief Financial Officer since June 2001. Prior to that and from January 2000, he served as our financial controller and as our financial analyst from August 1997 through December 1999. Prior to joining our company, Mr. Israel was employed by Hi Group, a holding company, as a financial analyst. Mr. Israel holds a B.A. degree in economics from Haifa University and MBA degree (*cum laude*) from the Technion - Israel Institute of Technology.

Amir Eyal has served as Vice President – Business Development of EZchip Technologies since August 1999. From 1997 to 1998, Mr. Eyal served as Vice President of Marketing at CLASS Data Systems, a start-up that provides solutions for network Quality of Service, which was acquired by Cisco Systems in 1998. From 1996 to 1997, Mr. Eyal served as Vice President, Marketing at ORNET Data Communications, a LAN switch vendor. From 1994 to 1996, Mr. Eyal served as Director of Marketing at RAD Network Devices, a router vendor and member of the RAD-BYNET Group and served in pre-sale and post-sale roles at that company from 1988-1994. From 1986 to 1988, Mr. Eyal was a chip design engineer at Clarity, a chip design start-up. Mr. Eyal holds a B.Sc. degree in Computer Engineering from the Technion-Israel Institute of Technology.

Prof. Ran Giladi has served as a director of our company since December 2001. Prof. Giladi is a faculty member of Ben-Gurion University of the Negev, Beersheba, where he founded and was the Head of the Department of Communication Systems Engineering from 1996 until 2000 and he resumed such position in 2010. Prof. Giladi was the active Chairman of DiskSites, Inc., which was acquired by Expand Networks Ltd. in 2006. Prof. Giladi co-founded InfoCyclone Inc. and was its President and Chief Executive Officer from 2000 until 2002. Prof. Giladi co-founded Ramir Ltd., which was later acquired by Harris-Adacom, and served as Vice President Research & Development in both companies from 1984 until 1986. Prof. Giladi holds a B.Sc. degree in Physics and M.Sc. degree in Biomedical Engineering, both from the Technion - Israel Institute of Technology, and a Ph.D. in Computers and Information Systems from Tel-Aviv University.

Karen Sarid has served as a director of our company since December 2001 and is a member of our Audit Committee. Ms. Sarid served as President and General Manager of Syneron Medical Israel from 2009 to 2010. Ms. Sarid served as the General Manager of Galil Medical Israel from 2007 to 2009. Prior to that and from 2005, Ms. Sarid served as a General Manager of Orex Computed Radiography Ltd., a Kodak Company focusing on radiography systems for the digital x-ray market. Prior to that and from September 2000, Ms. Sarid held the position of Chief Operating Officer and Chief Financial Officer at Orex Computed Radiography Ltd. From September 1999 until September 2000, Ms. Sarid was Chief Financial Officer and a member of the Board of Directors of Forsoft Ltd., a software solutions provider and a subsidiary of the Formula Group. From 1996 until August 1999, Ms. Sarid was Chief Financial Officer and a member of the Board of Directors of ESC Medical Systems Ltd., a medical laser manufacturer that is traded on the NASDAQ Stock Market. Ms. Sarid was Chief Financial Officer of our company from 1993 through 1996. Ms. Sarid also serves as a director of Oridion Systems Ltd. and Gilat Satellite Networks Ltd. Ms. Sarid holds a B.A. degree in Economics and Accounting from Haifa University, and was awarded the Chief Financial Officer of the Year award in 1998 by the Association of Chief Financial Officers in Israel.

Shai Saul has served as a director of our company since December 2006 and is a member of our Audit Committee. Mr. Saul has served as General Partner of DFJ Tamir Fishman Ventures, an Israeli technology-focused venture capital fund since 1999. From 2000 to 2009, Mr. Saul served as Chairman of CopperGate Communications, a developer of chips for the in-home IPTV market (acquired by Sigma Designs), and during 2001, he served as CopperGate's Chief Executive Officer. From 1994 to 1999, Mr. Saul served as Executive Vice President of Aladdin Knowledge Systems Ltd. (NASDAQ: ALDN, acquired by SafeNet). From 1993 to 1994, Mr. Saul served as Chief Executive Officer of Ganot Ltd., a cleantech company. Mr. Saul also serves as a director of Allot Communications (NASDAQ: ALLT) and Superfish, among others. His past investments and board positions include Native Networks, a developer of carrier-class optical Ethernet transport solutions (acquired by Alcatel), Wave Systems, fables developer of authentication chips (NASDAQ: WAVX), and Voltaire, a developer of scale-out solutions for high performance data centers (NASDAQ: VOLT acquired by Mellanox, NASDAQ:MLNX). Mr. Saul holds an LL.B. degree from Tel Aviv University.

David Schlachet has served as director of our company since September 2005 and is a member of our Audit Committee. Mr. Schlachet served as Chief Executive Officer of Syneron Medical Ltd. from November 2005 to May 2007, after having served as its Chief Financial Officer from July 2004 to November 2005. From January 2000 to June 2004, Mr. Schlachet served as Managing Partner of Biocom, a venture capital fund specializing in life sciences. From 1995 to 2000, Mr. Schlachet served as a senior Vice President and Chief Financial Officer of Strauss Elite Holdings, a packaged food group. Mr. Schlachet also served as an active Chairman of Elite Industries Ltd. From 1988 to 1995, Mr. Schlachet served first as Chief Executive Officer of Yeda, the Weizmann Institute technology transfer company, and later as Vice President of Finance and Administration of the Weizmann Institute of Science. Mr. Schlachet serves as a director of Syneron Medical Ltd., a NASDAQ-listed company, and is a director of BioCancell Therapeutic Inc., Mazor Surgical Technology Ltd. and Taya Investment Company Ltd., which are traded on the Tel Aviv Stock Exchange. Mr. Schlachet also serves as a director and audit committee member of the Tel Aviv Stock Exchange and as Chairman of CellCure Neurosciences Ltd., a privately-held biotechnology company. Mr. Schlachet holds a B.Sc. degree in chemical engineering and an M.B.A. from Tel-Aviv University.

There are no family relationships between any of our directors and executive officers.

B. COMPENSATION OF DIRECTORS AND OFFICERS

The aggregate amount of compensation paid during 2010 to all of our directors and executive officers as a group (eight persons) for services in all capacities was approximately \$719,000. This amount includes amounts set aside to provide pension, retirement or similar benefits for directors and officers of our company, pursuant to any existing plan provided or contributed to by us, in the amount of approximately \$44,000. This aggregate amount does not include expenses we incurred for other payments, including dues for professional and business associations, business travel and other expenses and benefits commonly reimbursed or paid by companies in Israel. All our executive officers work full time for us.

During the year ended December 31, 2010, we paid each of our outside directors approximately \$1,630 per quarter and approximately \$350 per meeting attended. Our other non-executive directors did not receive any cash compensation during 2010, except for Mr. Benny Hanigal. Effective as of January 1, 2008, we pay a \$3,000 monthly fee to Mr. Hanigal in connection with his service as Chairman of our Board of Directors. Prior to that date and from December 2006, Mr. Hanigal was paid the same monthly amount for his service as Chairman of the Board of Directors of EZchip Technologies.

During 2010, we granted our directors and executive officers as a group an aggregate of 88,644 restricted share units, all of which were granted under our 2003 Amended and Restated Equity Incentive Plan. See Item 6E. "Directors, Senior Management and Employees - Share Ownership - Equity Incentive Plans."

In addition, during 2010, as a remaining part of the Employee Exchange Offer, as described below under Item 7.B. "Major Shareholders and Related Party Transactions – Related Party Transactions," our directors and executive officers as a group exchanged their EZchip Technologies Options for options to purchase 41,120 of our ordinary shares.

We follow Israeli law and practice, instead of the NASDAQ Listing Rules requirements, regarding the compensation of our executive officers. See Item 16G. "Corporate Governance."

C. BOARD PRACTICES

Election of Directors

Our board of directors currently consists of six members. Under our articles of association, the board is to consist of between three and fourteen members, with the number fixed from time to time by our shareholders.

Our directors, other than our outside directors, as described below, are appointed by our shareholders at our annual general meeting and hold office until the next annual general meeting. Our annual general meetings are held at least once every calendar year, but not more than 15 months after the last preceding annual general meeting. In the intervals between our annual general meetings, the board of directors may appoint new directors to fill vacancies. Our officers serve at the discretion of the board of directors, subject to the terms of any agreement between them and us and the provisions of the Israeli Companies Law.

We do not follow the requirements of the NASDAQ Listing Rules with regard to the nomination process of directors, and instead, we follow Israeli law and practice, in accordance with which our directors are recommended by our board of directors for election by our shareholders. See Item 16G. "Corporate Governance."

Alternate Directors

Our articles of association provide that any director may, by written notice to us, appoint another person to serve as an alternate director. Under the Israeli Companies Law, any person eligible to serve as a director (other than a director or an existing alternate director) may act as an alternate director. An alternate director may be appointed for one meeting or for another specified period or until notice is given of the cancellation of the appointment. To our knowledge, no director currently intends to appoint any other person as an alternate director, except if the director is unable to attend a meeting of the board of directors.

Outside and Independent Directors

Outside Directors. In accordance with the Israeli Companies Law, as an Israeli public company, we are required to have at least two outside directors. The outside directors must meet certain statutory requirements of independence. In general, the term of office of an outside director is three years, which can be extended for two additional three year-term (there are no prescribed terms of service for the other directors of the company). However, Israeli companies listed on certain stock exchanges outside Israel, including the NASDAQ Global Select Market, such as our company, may appoint an outside director for additional terms of not more than three years subject to certain conditions. Such conditions include the determination by the audit committee and board of directors, that in view of the director's professional expertise and special contribution to the company's board of directors and its committees, the appointment of the outside director for an additional term is in the best interest of the company. An outside director can be removed from office only under very limited circumstances.

Any committee of the board of directors must include at least one outside director and the audit committee must include all of the outside directors (including one outside director serving as the chair of the audit committee). An outside director is entitled to compensation as provided in regulations adopted under the Israeli Companies Law and is otherwise prohibited from receiving any other compensation, directly or indirectly, in connection with such service.

In accordance with the Israeli Companies Law, at least one of the outside directors must have "accounting and financial expertise" and any other outside director must have "accounting and financial expertise" or "professional qualification," as such terms are defined by regulations promulgated under the Israeli Companies Law. However, Israeli companies listed on certain stock exchanges outside Israel, including the NASDAQ Global Select Market, such as our company, are not required to appoint an outside director with "accounting and financial expertise" if a director with accounting and financial expertise who qualifies as an independent director for purposes of audit committee membership under the laws of the foreign country in which the stock exchange is located serves on its board of directors. All of the outside directors of such a company must have "professional qualification." Our outside director, Mr. David Schlachet, has "accounting and financial expertise" and our other outside director, Mr. Shai Saul, has "professional qualification," as such terms are defined by regulations promulgated under the Israeli Companies Law.

Outside directors are elected by a majority vote at a shareholders' meeting. In addition to the majority vote, the shareholder approval of the election of an outside director must satisfy either of two additional tests:

- the majority includes at least a majority of the shares voted by shareholders other than our controlling shareholders or shareholders who have a personal interest in the election of the outside directors (excluding a personal interest that is not related to a relationship with the controlling shareholders); or
- the total number of shares held by non-controlling shareholders and disinterested shareholders that voted against the election of the outside director does not exceed 2% of the aggregate voting rights of our company.

Messrs. Shai Saul and David Schlachet serve as our outside directors under the Israeli Companies Law. Mr. Saul's term will expire in November 2012 and Mr. Schlachet's term will expire in July 2011, following which their service as an outside director may each be extended for additional three-year terms.

Independent Directors. In general, NASDAQ Listing Rules require that the board of directors of a NASDAQ-listed company have a majority of independent directors and its audit committee must have at least three members and be comprised only of independent directors, each of whom satisfies the respective "independence" requirements of NASDAQ and the Securities and Exchange Commission. In addition, under the Israeli Companies Law, a majority of the audit committee members must comply with the director independence requirements prescribed by the Israeli Companies Law. Our Board of Directors has determined that each of Messrs. Giladi, Saul and Schlachet and Ms. Sarid qualifies as an independent director under the requirements of the Securities and Exchange Commission, NASDAQ and the Israeli Companies Law.

Pursuant to a recent amendment to the Israeli Companies Law that will take effect in 2011, an Israeli company whose shares are publicly traded may elect to adopt a provision in its articles of association pursuant to which a majority of its board of directors (or a third of its board of directors in case the company has a controlling shareholder) will constitute individuals complying with certain independence criteria prescribed by the Israeli Companies Law, as well as certain other recommended corporate governance provisions. Although the amendment has not taken effect yet, we do not expect to include such provisions in our articles of association since our board of directors complies with the independence requirements and the corporate governance rules of NASDAQ and the Securities and Exchange Commission regulations. In any event, as described above, a majority of our board of directors and all members of our audit committee are directors who comply with the independence criteria prescribed by the Israeli Companies Law.

Audit Committee

The Israeli Companies Law requires public companies to appoint an audit committee. An audit committee must consist of at least three directors, including all of the outside directors (one of whom must serve as the chair of the audit committee), and a majority of the committee members must comply with the director independence requirements prescribed by the Israeli Companies Law. The audit committee may not include the chairman of the board, or any director employed by us, by a controlling shareholder or by any entity controlled by a controlling shareholder, or any director providing services to us, to a controlling shareholder or to any entity controlled by a controlling shareholder on a regular basis, or any director whose income is primarily dependent on a controlling shareholder, and may not include a controlling shareholder or any relatives of a controlling shareholder. Individuals who are not permitted to be audit committee members may not participate in the committee's meetings other than to present a particular issue. However, an employee who is not a controlling shareholder or relative may participate in the committee's discussions but not in any vote, and the company's legal counsel and corporate secretary may participate in the committee's discussions and votes if requested by the committee.

The audit committee's duties include providing assistance to the board of directors in fulfilling its legal and fiduciary obligations in matters involving our accounting, auditing, financial reporting, internal control and legal compliance functions by approving the fees of, and services performed by, our independent accountants and reviewing their reports regarding our accounting practices and systems of internal accounting controls. The audit committee also oversees the audit efforts of our independent accountants and takes those actions as it deems necessary to satisfy itself that the accountants are independent of management. Under the Israeli Companies Law, the audit committee also is required to monitor deficiencies in the administration of our company, including by consulting with the internal auditor and independent accountants, to review, classify and approve related party transactions and extraordinary transactions, to review the internal auditor's audit plan and to establish and monitor whistleblower procedures.

Under the Israeli Companies Law, a meeting of the audit committee is properly convened if a majority of the committee members attend the meeting, and in addition a majority of the attending committee members are independent directors within the meaning of the Israeli Companies Law and include at least one outside director.

Under the NASDAQ Listing Rules we are required to have an audit committee consisting of at least three independent members, each of whom is financially literate and satisfies the respective "independence" requirements of the Securities and Exchange Commission and NASDAQ and one of whom has accounting or related financial management expertise at senior levels within a company.

Our Audit Committee currently consists of Shai Saul, Karen Sarid and David Schlachet. We believe that the composition and function of the audit committee comply with the requirements of the Israel Companies Law, the Securities and Exchange Commission and NASDAQ Listing Rules.

Risk Management Committee

Our board of directors established a Risk Management Committee to supervise currency risk management and the investment of our company's funds. Our Risk Management Committee currently consists of Eli Fruchter and David Schlachet. Our Chief Financial Officer, Dror Israel, and an outside consultant in the field of risk management regularly advise the committee's members.

Strategy Committee

Our board of directors established a Strategy Committee to review and consider strategic directions for the company. Our Strategy Committee currently consists of Benny Hanigal, Eli Fruchter, Prof. Ran Giladi and Shai Saul. Our Chief Financial Officer, Dror Israel, and our Vice President – Business Development, Amir Eyal, regularly advise the committee's members.

Financial Statements Committee

In connection with a new requirement of the Israeli Companies Law, which will become effective on May 14, 2011, we will be required to form a financial statements committee to review the company's financial statements and make recommendations to our board of directors with respect to the approval of the financial statements and specified issues concerning the financial statements. The company's independent accountants are to be invited to each meeting of the committee, and the internal auditor is to be notified in advance of each meeting and shall have the right to participate. Under the Israeli Companies Law and regulations, the composition and quorum requirements of the financial statements committee are generally the same as the composition and quorum requirements of the audit committee. As permitted by the regulations, we currently intend to designate our audit committee to also serve as our financial statements committee and fulfill its statutory duties.

Internal Auditor

The Israeli Companies Law requires the board of directors of a public company to appoint an internal auditor nominated by the audit committee. The internal auditor may be an employee of ours, but may not be an interested party or office holder, or a relative of any interested party or office holder, and may not be a member of our independent accounting firm or its representative. The role of the internal auditor is to examine, among other things, the compliance of the company's conduct with applicable law and orderly business practice. Fahn Kanne Control Management Ltd., a member of the Grant Thornton network, serves as our internal auditor.

Directors' Service Contracts

We do not have any service contracts with our directors, except for the \$3,000 monthly fee we pay to Mr. Benny Hanigal since January 1, 2008 in connection with his services as Chairman of our Board of Directors. Prior to that date and from December 2006, Mr. Hanigal was paid the same monthly amount for his services as the Chairman of the Board of Directors of EZchip Technologies.

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

Chairman of the Board

Under the Israeli Companies Law, the general manager of a company (or a relative of the general manager) may not serve as the chairman of the board of directors, and the chairman of the board of directors (or a relative of the chairman of the board of directors) may not serve as the general manager, unless approved by the shareholders by a special majority vote prescribed by the Israeli Companies Law. The shareholder vote cannot authorize the appointment for a period of longer than three years, which period may be extended from time to time by the shareholders with a similar special majority vote. The chairman of the board of directors shall not hold any other position with the company (except as general manager if approved in accordance with the above procedure) or in any entity controlled by the company, other than as chairman of the board of directors of a controlled entity, and the company shall not delegate to the chairman duties that, directly or indirectly, make him or her subordinate to the general manager.

Fiduciary Duties; Approval of Certain Transactions

Fiduciary Duties. The Israeli Companies Law codifies the fiduciary duties that office holders, including directors and executive officers, owe to a company. An office holder's fiduciary duties consist of a duty of care and a duty of loyalty.

Duty of Loyalty. The duty of loyalty requires an office holder to act in good faith and for the benefit of the company, including to avoid any conflict of interest between the office holder's position in the company and such person's personal affairs, avoiding any competition with the company, avoiding exploiting any corporate opportunity of the company in order to receive personal advantage for such person or others, and revealing to the company any information or documents relating to the company's affairs which the office holder has received due to his or her position as an office holder. A company may approve any of the acts mentioned above provided that all the following conditions apply: the office holder acted in good faith and neither the act nor the approval of the act prejudices the good of the company and, the office holder disclosed the essence of his personal interest in the act, including any substantial fact or document, a reasonable time before the date for discussion of the approval. A director is required to exercise independent discretion in fulfilling his or her duties and may not be party to a voting agreement with respect to his or her vote as a director. A violation of these requirements is deemed a breach of the director's duty of loyalty.

Duty of Care. The duty of care requires an office holder to act with a level of care that a reasonable office holder in the same position would employ under the same circumstances. This includes the duty to use reasonable means to obtain information regarding the advisability of a given action submitted for his or her approval or performed by virtue of his or her position and all other relevant information material to these actions. Under the Israeli Companies Law, all arrangements as to compensation of office holders who are not directors require approval of the board of directors unless the articles of association provide otherwise. Arrangements regarding the compensation of directors also require audit committee and shareholder approval.

An "office holder" is defined as any managing director, general manager, chief executive officer, executive vice president, vice president, or any other person assuming the responsibilities of any of these positions regardless of that person's title, or any director or any manager directly subordinate to the general manager. Each person listed in the table under "Director and senior management" is an office holder.

Disclosure of Personal Interest of an Office Holder. The Israeli Companies Law requires that an office holder promptly disclose to the company any personal interest that he or she may have and all related material information known to him or her, in connection with any existing or proposed transaction by the company. "Personal interest," as defined by the Israeli Companies Law, includes a personal interest of any person in an act or transaction of the company, including a personal interest of his relative or of a corporation in which that person or a relative of that person is a 5% or greater shareholder, a holder of 5% or more of the voting rights, a director or general manager, or in which he or she has the right to appoint at least one director or the general manager, and includes shares for which the person has the right to vote pursuant to a power-of-attorney. "Personal interest" does not apply to a personal interest stemming merely from holding shares in the company.

The office holder must make the disclosure of his personal interest no later than the first meeting of the company's board of directors that discusses the particular transaction. This duty does not apply to the personal interest of a relative of the office holder in a transaction unless it is an "extraordinary transaction." An "extraordinary transaction" is defined as a transaction not in the ordinary course of business, a transaction that is not on market terms, or a transaction that is likely to have a material impact on the company's profitability, assets or liabilities, and a "relative" is defined as a spouse, sibling, parent, grandparent, descendant, and includes the descendant, sibling or parent of a spouse, as well as the spouse of any of the foregoing.

Approval of Compensation of Office Holders. Under the recent amendment to the Israeli Companies Law that will take effect in 2011, compensation arrangements for officers who are not directors require the approval of the audit committee and the board of directors. The approval of the audit committee may be substituted with the approval of the compensation committee, provided that the compensation committee complies with all the requirements prescribed by the Israeli Companies Law regarding composition of the audit committee. If the compensation arrangement is an immaterial amendment to an existing compensation arrangement of an officer who is not a director, the approval of the audit committee is sufficient. Arrangements regarding the compensation of directors require the approval of the audit committee, the board and the shareholders, in that order.

Approval of Other Transactions with Office Holders. In the case of a transaction that is not an extraordinary transaction, after the office holder complies with the disclosure requirement described above, only board approval is required unless the articles of association of the company provide otherwise. Our articles of association do not provide otherwise. Such approval must determine that the transaction is not adverse to the company's interest. If the transaction is an extraordinary transaction, or if it concerns exculpation, indemnification, insurance or compensation of an office holder, then the approvals of the company's audit committee and the board of directors are required, except if the compensation arrangement is a non-material amendment to an existing compensation arrangement of an officer who is not a director (in which case the approval of the audit committee is sufficient). Exculpation, indemnification, insurance or compensation of a director also requires shareholder approval. The audit committee may not approve the transaction unless, at the time of the approval, it complies with the audit committee composition and quorum requirements prescribed by the Israeli Companies Law.

Any person who has a personal interest in a matter that is considered at a meeting of the board of directors or the audit committee generally may not be present at such meeting or vote on such matter unless a majority of the board of directors or the audit committee has a personal interest in the matter, or if such person is invited by the chairman of the board of directors or audit committee, as applicable, to present the matter being considered. If a majority of the board of directors or the audit committee has a personal interest in the transaction, shareholder approval also would be required.

Disclosure of Personal Interests of a Controlling Shareholder; Approval of Transactions with Controlling Shareholders. Under the Israeli Companies Law, the disclosure requirements described above that apply to an officer holder, also apply to a controlling shareholder of a public company, which includes a shareholder that holds 25% or more of the voting rights if no other shareholder owns more than 50% of the voting rights in the company. Two or more shareholders with a personal interest in the approval of the same transaction are deemed to be one shareholder for this purpose.

Approval of the audit committee, the board of directors and our shareholders, in that order, is required for:

- extraordinary transactions, including a private placement, with a controlling shareholder or in which a controlling shareholder has a personal interest; and
- the terms of compensation or employment or engagement of a controlling shareholder or his or her relative, as an officer holder or employee of our company or as a service provider to the company, including through a company controlled by a controlling shareholder.

The shareholders approval must include the majority of shares voted at the meeting. In addition to the majority vote, the shareholder approval must satisfy either of two additional tests:

- the majority includes at least a majority of the shares voted by shareholders who have no personal interest in the transaction; or
- the total number of shares held by the disinterested shareholders that voted against the approval of the transaction does not exceed 2% of the aggregate voting rights of our company.

Generally, the approval of such a transaction may not be for more than three years. However, an extraordinary transaction, including a private placement with a controlling shareholder or in which a controlling shareholder has a personal interest that does not concern the terms of compensation or employment or engagement of a controlling shareholder or his or her relative, as an officer holder or employee of our company or as a service provider to the company, the transaction may be approved for a longer period if the audit committee determines that the approval of the transaction for a period of longer than three years is reasonable under the circumstances.

Duties of Shareholders. Under the Israeli Companies Law, a shareholder also has a duty to act in good faith towards the company and other shareholders and refrain from abusing his or her power in the company, including, among other things, voting in the general meeting of shareholders on the following matters:

- any amendment to the articles of association;
- an increase of the company's authorized share capital;
- a merger; or
- approval of related party transactions that require shareholder approval.

In addition, any controlling shareholder, any shareholder who can determine the outcome of a shareholder vote and any shareholder who, under the company's articles of association, can appoint or prevent the appointment of an office holder, is under a duty to act with fairness towards the company. The Israeli Companies Law also provides that a breach of the duty of fairness will be governed by the laws governing breach of contract; however, the Israeli Companies Law does not describe the substance of this duty.

Indemnification of Directors and Officers; Limitations on Liability

Indemnification of Office Holders

Under the Israeli Companies Law, a company may, if permitted by its articles of association, indemnify an office holder for any of the following liabilities or expenses that they may incur due to an act performed or failure to act in his or her capacity as the company's office holder:

- monetary liability imposed on the office holder in favor of a third party in a judgment, including a settlement or an arbitral award confirmed by a court;
 - reasonable legal costs, including attorneys' fees, expended by an office holder as a result of an investigation or proceeding instituted against the office holder by a competent authority, provided that such investigation or proceeding concludes without the filing of an indictment against the office holder and either: no financial liability was imposed on the office holder in lieu of criminal proceedings, or a financial liability was imposed on the office holder in lieu of criminal proceedings with respect to an alleged criminal offense that does not require proof of criminal intent; and
 - reasonable legal costs, including attorneys' fees, expended by the office holder or for which the office holder is charged by a court:
-

- o in an action brought against the office holder by the company, on behalf of the company or on behalf of a third party,
- o in a criminal action from which the office holder is acquitted, or
- o in a criminal action in which the office holder is convicted of a criminal offense which does not require proof of criminal intent.

A company may indemnify an office holder in respect of these liabilities either in advance of an event or following an event. If a company undertakes to indemnify an office holder in advance of an event, the indemnification, other than legal costs, must be limited to foreseeable events in light of the company's actual activities when the company undertook such indemnification, and reasonable amounts or standards, as determined by the board of directors.

Insurance of Office Holders

Under the Israeli Companies Law, a company may, if permitted by its articles of association, obtain insurance for an office holder against liabilities incurred in his or her capacity as an office holder. These liabilities include a breach of duty of care to the company or a third-party, a breach of duty of loyalty and any monetary liability imposed on the office holder in favor of a third-party.

Exculpation of Office Holders

Under the Israeli Companies Law, a company may, if permitted by its articles of association, also exculpate an office holder from a breach of duty of care in advance of that breach. Our articles of association provide for exculpation both in advance or retroactively, to the extent permitted under Israeli law. A company may not exculpate an office holder from a breach of duty of loyalty towards the company or from a breach of duty of care concerning dividend distribution or a purchase of the company's shares by the company or other entities controlled by the company.

Limitations on Exculpation, Insurance and Indemnification

Under the Israeli Companies Law, a company may indemnify or insure an office holder against a breach of duty of loyalty only to the extent that the office holder acted in good faith and had reasonable grounds to assume that the action would not prejudice the company. In addition, a company may not indemnify, insure or exculpate an office holder against a breach of duty of care if committed intentionally or recklessly (excluding mere negligence), or committed with the intent to derive an unlawful personal gain, or for a fine or forfeit levied against the office holder in connection with a criminal offense.

Pursuant to the Israeli Companies Law, exculpation of, procurement of insurance coverage for, and an undertaking to indemnify or indemnification of, our office holders must be approved by our audit committee and our board of directors and, if the office holder is a director, also by our shareholders.

Our articles of association allow us to indemnify, exculpate and insure our office holders to the fullest extent permitted under the Israeli Companies Law, provided that procuring this insurance or providing this indemnification or exculpation is approved by the audit committee and the board of directors, as well as by the shareholders if the office holder is a director. Our audit committee, board of directors and shareholders have resolved to indemnify our directors and officers to the extent permitted by law and by our articles of association for liabilities not covered by insurance, that are of certain enumerated types of events, and subject to limitations as to amount.

D. EMPLOYEES

As of March 10, 2011, we had 157 employees. The following table presents the number of our employees categorized by activity as of December 31:

	As of December 31,		
	2008	2009	2010
Operations	9	9	9
Research and development	84	86	105
Sales and marketing	15	18	20
General and administrative	8	9	9
Total (1)	116	122	143

The following table presents the number of our employees categorized by geographic location as of December 31:

	As of December 31,		
	2008	2009	2010
Israel (1)	109	115	133
United States	6	6	7
China	1	1	3
Total	116	122	143

We believe that our company has good relations with its employees and we have never experienced a labor dispute, strike or work stoppage.

Israeli labor laws are applicable to our company's employees in Israel. Such laws principally concern the length of the workday and the workweek, minimum wages for workers, minimum annual leave, insurance for work-related accidents, procedures for dismissing employees and determination of severance pay. Israeli employers are also required to make payments to Israel's National Insurance Institute with respect to employees. In addition, certain provisions of the collective bargaining agreements between the "Histadrut" (Israel's General Federation of Labor) and the Israeli Coordinating Bureau of Economic Organization apply to our employees in Israel pursuant to administrative orders extending them to all private sector employees. According to such administrative orders, all Israeli employers are required to provide certain escalations of the wages in relation to the increases in the Israeli consumer price index as well as to provide minimum annual payments so as to cover vacation expenses. All of our employees are covered by comprehensive life and pension insurance policies.

All our officers, key employees and certain of our other employees are party to individual employment agreements. We have entered into a non-disclosure and non-competition agreement with each of our executive officers and key employees.

Pursuant to Israeli law, we are legally required to pay severance benefits upon certain circumstances, including the retirement or death of an employee or the termination of employment of an employee without due cause. We currently fund our ongoing severance obligations for our Israeli employees by making monthly payments for severance insurance policies. According to Section 14 to the Israeli Severance Pay Law, the payment of monthly deposits by a company into recognized severance and pension funds or insurance policies releases it from any additional severance obligation to the employees that have entered into agreements with the company pursuant to such Section 14. Commencing July 2010, we entered into agreements with new employees who joined the company in order to implement such Section 14. Therefore, the payment of monthly deposits by the company into recognized severance and pension funds or insurance policies with respect to the Israeli employees that joined us since July 2010 releases us from any additional severance obligation to those employees and therefore, since that date we incur no additional liability with respect to such employees.

All of our Israeli employees are covered by life and/or pension insurance policies providing customary benefits to employees, including retirement and severance benefits. Pursuant to an order issued in December 2007 by the Israeli Minister of Industry, Trade and Labor, new provisions relating to pension arrangements in the collective bargaining agreements between the Histadrut (General Federation of Labor in Israel) and the Coordination Bureau of Economic Organizations (the Israeli federation of employers' organizations) apply to all employees in Israel, including our Israeli employees. According to such provisions, all employees employed for at least six months are entitled to pension benefits to be funded by preset monthly contributions of the employee and the employer. We contribute 13.3% of base wages to such plans and employees contribute between 5.0% to 7% of their base wages. We also contribute 7.5% of base wages to certain "professional education" funds for our employees and they contribute 2.5% of base wages. Our contribution is limited to the maximum amounts that are not considered taxable income to the employee. Israeli employers and employees are required to pay predetermined sums to the National Insurance Institute, which is similar to the United States Social Security Administration. The payments to the National Insurance Institute are determined progressively in accordance with wages.

E. SHARE OWNERSHIP

Beneficial Ownership of Executive Officers and Directors

The following table sets forth certain information as of March 10, 2011 for (i) each of our executive officers and directors that beneficially owns more than 1% of our outstanding ordinary shares, and (ii) our executive officers and directors as a group. The information in the table below is based on 26,371,067 ordinary shares outstanding as of March 10, 2011.

Name	Number of Shares ⁽¹⁾	Percent
Eli Fruchter (2)	751,858	2.82%
All directors and executive officers as a group (8 persons)(3)	1,096,014	4.07%

- (1) The number of ordinary shares beneficially owned includes the shares issuable pursuant to options that are exercisable within 60 days of the date of this table, and restricted share units that vest within 60 days of the date of this table. Shares issuable pursuant to such options or restricted share units are deemed outstanding for computing the percentage of the person holding such options or restricted share units but are not outstanding for computing the percentage of any other person.
- (2) Based on information available to the company. Includes options to purchase 247,962 ordinary shares that are exercisable within 60 days of the date of this table. The address for Mr. Fruchter is c/o EZchip Semiconductor Ltd., 1 Hatamar Street, P.O. Box 527, Yokneam 20692, Israel.
- (3) As of March 10, 2011 all directors and executive officers as a group (8 persons) held options to purchase an aggregate 575,708 ordinary shares that are exercisable within 60 days of the date of this table and 13,410 restricted share units that vest within 60 days of the date of this table. Such options have a weighted average exercise price of \$9.84 and expire between January 2012 and September 2016.

None of our directors and executive officers beneficially owns more than 1% of our outstanding shares, other than Eli Fruchter, a member of our Board of Directors and President and Chief Executive Officer of EZchip Technologies.

As of December 31, 2010, our executive officers and directors as a group held options to purchase an aggregate of 851,151 of our ordinary shares. The weighted average exercise price of these options was \$10.93 and their expiration dates ranged from January 2012 and September 2016. As of December 31, 2010, our executive officers and directors as a group held an aggregate of 113,104 restricted share units.

Equity Incentive Plans

EZchip Semiconductor Equity Incentive Plans

2003 Amended and Restated Equity Incentive Plan. On October 2003, EZchip Semiconductor adopted the 2003 Israeli Share Option Plan. The plan was amended in December 2006 and further amended in December 2007 and October 2010. In 2007, the plan was renamed the 2003 Amended and Restated Equity Incentive Plan, or the 2003 Israel Plan. The 2003 Israel Plan is administered by our Board of Directors, or a committee of the Board that is delegated authority to act as the administrator. The administrator has broad discretion, subject to certain limitations, to determine the persons entitled to receive awards, the terms and conditions on which awards are granted and the number of shares subject to each award granted. Under the 2003 Israel Plan, we may grant restricted share units, or RSUs, and options to purchase our ordinary shares to Israeli employees, directors, consultants, advisers and service providers of our company and its subsidiaries. In accordance with the terms and conditions imposed by Section 102 of the Israel Income Tax Ordinance, grantees who receive awards under the 2003 Israel Plan are afforded certain tax benefits (excluding our controlling shareholders or those who are not our employees or directors). We have elected the benefits available under the "capital gains" alternative. There are various conditions that must be met in order to qualify for these benefits, including registration of the awards in the name of a trustee for each of the employees who is granted awards. Each award, and any ordinary shares acquired upon the exercise of the award, must be held by the trustee for a period of 24 months. The 2003 Israel Plan provides for the awards granted to have a maximum exercise period of ten years from the date of grant. Awards granted under the 2003 Israel Plan are generally exercisable over four years. Awards that are not exercised will become available for further grant by the Board under the 2003 Israel Plan. In addition, pursuant to amendment to the 2003 Israel Plan approved by our shareholders in December 2007, on January 1st of each year, commencing January 1, 2009, to the extent the number of ordinary shares reserved, authorized and available for issuance under the 2003 Israel Plan on such date is less than 4% of the number of ordinary shares issued and outstanding on such date, the number of ordinary shares reserved, authorized and available for issuance under the 2003 Israel Plan will automatically increase on such date to equal 4% of the number of ordinary shares issued and outstanding on such date. In October 2010, our Board of Directors approved an amendment to the 2003 Israel Plan increasing the number of ordinary shares that may be granted under such plan by 2,100,000 shares.

As of December 31, 2010, 2,071,799 ordinary shares were available for future issuances under the 2003 Israel Plan, which amount is reduced by three shares for each restricted share unit that we grant under the plan and by one share for each option that we grant under the plan.

As of December 31, 2010, options to purchase an aggregate of 1,773,992 ordinary shares were outstanding under the 2003 Israel Plan, with a weighted average exercise price of \$14.37 per share and expiration dates ranging from January 2012 to October 2016. In addition, as of December 31, 2010, 433,101 RSUs were outstanding under the 2003 Israel Plan.

EZchip Semiconductor Ltd. 2007 U.S. Equity Incentive Plan. On December 27, 2007, EZchip Semiconductor adopted the 2007 U.S. Equity Incentive Plan, or the 2007 U.S. Plan. Except as required to address specific U.S. tax requirements, the general terms and conditions of the 2007 U.S. Plan are substantially similar to the terms and conditions of the 2003 Israel Plan. In general, the exercise price of incentive stock options granted under the 2007 U.S. Plan must be at least equal to 100% of the fair market value of the ordinary shares on the date of grant. If, however, incentive stock options are granted to an employee who owns shares possessing more than 10% of the voting power of all classes of our share capital or the share capital of any parent or subsidiary of our company, the exercise price of any incentive stock option granted must equal at least 110% of the fair market value on the grant date and the maximum term of such incentive stock options must not exceed five years. In July 2010, our shareholders approved an amendment to the 2007 U.S. Plan increasing the number of ordinary shares that may be granted under such plan by 500,000 shares.

As of December 31, 2010, 479,600 ordinary shares were available for future issuance under the 2007 U.S. Plan, which amount is reduced by three shares for each restricted share unit that we grant under the plan and by one share for each option that we grant under the plan.

As of December 31, 2010, options to purchase an aggregate of 253,991 ordinary shares were outstanding under the 2007 U.S. Plan, with a weighted average exercise price of \$12.0 per share and expiration dates ranging from June 2011 to October 2016, including options to purchase an aggregate of 60,307 ordinary shares granted in December 2009 as part of the Employee Exchange Offer. In addition, as of December 31, 2010, 45,850 RSUs were outstanding under the 2007 U.S. Plan.

2009 Israel Equity Plan. In November 2009, EZchip Semiconductor adopted the 2009 Israel Equity Plan. The plan was adopted in connection with the Employee Exchange Offer, as described below under Item 7.B. "Major Shareholders and Related Party Transactions – Related Party Transactions," for the sole purpose of issuing options to purchase our ordinary shares to our former and current Israeli employees who elect to exchange their options to purchase ordinary shares of EZchip Technologies. The 2009 Israel Equity Plan is administered by our Board of Directors or a committee of the Board that is delegated authority to act as the administrator. Under the 2009 Israel Plan, we may grant options to purchase our ordinary shares to former and current employees, directors, consultants, advisers and service providers of our company and subsidiaries in exchange for their options to purchase ordinary shares of EZchip Technologies. The 2009 Israel Equity Plan provides for the awards granted to have a maximum exercise period of ten years from the date of grant. All awards granted in 2009 and 2010 under the 2009 Israel Equity Plan were immediately exercisable.

As of December 31, 2010, options to purchase an aggregate of 374,126 ordinary shares were outstanding under the 2009 Israel Equity Plan, with a weighted average exercise price of \$2.84 per share and expiration dates ranging from May 2011 to February 2016, all of which were granted in December 2009 and during 2010 as part of the Employee Exchange Offer.

As of December 31, 2010, 952,940 ordinary shares were available for future issuance under the 2009 Israel Equity Plan, which amount is reduced by one share for each option that we grant under the plan. However, we do not intend to grant any additional options pursuant to the 2009 Israel Equity Plan.

EZchip Technologies Option Plans

Since 2000, EZchip Technologies has granted options to purchase its ordinary shares to key employees, shareholders and directors pursuant to the Israeli and the U.S. stock option plans (the 2000 Section 102 Share Option Plan, the 2003 Section 102 Share Option Plan and the 2001 U.S. Stock Option Plan), as an incentive to attract and retain qualified personnel. Under these plans a total of 16,500,000 ordinary shares of EZchip Technologies were reserved and authorized for issuance. Under the terms of these grants, options generally become exercisable over a four-year period, commencing with the date of grant. The options generally expired seven to ten years from the date of the grant, and were non-transferable, except under the laws of succession.

Following our acquisition of substantially all of EZchip Technologies' shares, we discontinued our practice of granting EZchip Technologies employees options to purchase shares of EZchip Technologies pursuant to the EZchip Technologies' option plans. Instead, since 2008 all incentive awards to EZchip Technologies employees consist of options or RSUs to purchase ordinary shares of our company.

In December 2009 and during 2010, as part of the Employee Exchange Offer, as described below under Item 7.B. "Major Shareholders and Related Party Transactions – Related Party Transactions," all of the outstanding options to purchase ordinary shares of EZchip Technologies were exchanged for a combination of options to purchase our ordinary shares and cash.

As of December 31, 2010 and following the completion of the Employee Exchange Offer, there were no outstanding options to purchase ordinary shares of EZchip Technologies.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. MAJOR SHAREHOLDERS

The following table sets forth certain information as of March 10, 2011 (unless otherwise indicated below) for each shareholder known to us to beneficially own more than 5% of our outstanding ordinary shares. The information in the table below is based on 26,371,067 ordinary shares outstanding as of March 10, 2011. Each of our outstanding ordinary shares has identical rights in all respects.

Name	Number of Shares ⁽¹⁾	Percent
Empire Capital Management, L.L.C. and Empire GP, L.L.C (2)	1,636,900	6.2%

- (1) The number of ordinary shares beneficially owned includes the shares issuable pursuant to options that are exercisable within 60 days of the date of this table, and RSUs that vest within 60 days of the date of this table. Shares issuable pursuant to such options or RSUs are deemed outstanding for computing the percentage of the person holding such options or restricted share units but are not outstanding for computing the percentage of any other person.
- (2) Based on Schedule 13G/A filed with the Securities and Exchange Commission on February 15, 2011. The Schedule 13G/A reports that each of such entities disclaims beneficial ownership of our ordinary shares.

Significant Changes in the Ownership of Major Shareholders

JK&B Capital and The Goldman Sachs Group. On January 22, 2008, we issued an aggregate of 5,011,841 of our ordinary shares to The Goldman Sachs Group, Inc. and three of its affiliates and to JK&B Shalom II LLC and JK&B Capital III, Civil Law Partnership in exchange for the EZchip Technologies shares previously held by them. The ordinary shares were issued pursuant to an exchange right agreement EZchip Semiconductor entered into with these shareholders. Following the completion of the underwritten public offering in December 2009, as described below under Item 7.B. "Major Shareholders and Related Party Transactions – Related Party Transactions," the funds affiliated with Goldman, Sachs & Co. and JK&B Capital filed Schedule 13G/As with the Securities and Exchange Commission on December 22, 2009 and December 24, 2009, respectively, to report that they no longer beneficially owned any of our ordinary shares.

James Cheney. In August and September 2007, we issued and sold in private placements an aggregate of 900,000 of our ordinary shares to James Cheney. In March 2008, Mr. Cheney informed us that he ceased to be the beneficial owner of more than 5% of our outstanding shares.

Empire Capital Management, L.L.C. and Empire GP, L.L.C. On August 30, 2010, Empire Capital Management, L.L.C., or Empire Management, together with Empire Capital Partners, L.P., or Empire Partners, Empire GP, L.L.C., or Empire GP, Scott A. Fine and Peter J. Richards filed a Schedule 13G with the Securities and Exchange Commission. The Schedule 13G indicated that Messrs. Fine and Richard each had beneficial ownership of 5.5% of our ordinary shares, of which 4.0% are beneficially held by Empire Management and 1.5% are beneficially held by each of Empire Partners and Empire GP. On November 23, 2010, such reporting persons filed Amendment No. 1 to Schedule 13G with the Securities and Exchange Commission reporting that Messrs. Fine and Richard each had beneficial ownership of 10.4% of our ordinary shares, of which 7.4% are beneficially held by Empire Management and 3.0% are beneficially held by each of Empire Partners and Empire GP. On February 15, 2011, such reporting persons filed Amendment No. 2 to Schedule 13G with the Securities and Exchange Commission reporting that Messrs. Fine and Richard each had beneficial ownership of 6.3% of our ordinary shares, of which 4.4% are beneficially held by Empire Management and 1.9% are beneficially held by each of Empire Partners and Empire GP. Messrs. Fine and Richards are the Member of Empire GP and Empire Management and in their capacities direct the operations of Empire GP and Empire Management. Each of the reporting persons disclaims beneficial ownership of our ordinary shares.

Major Shareholders Voting Rights

The voting rights of our major shareholders do not differ from the voting rights of other holders of our ordinary shares.

Record Holders

Based on a review of the information provided to us by our transfer agent, as of March 21, 2011, there were 37 holders of record of our ordinary shares, including 31 holders of record residing in the United States holding approximately 98.43% of the aggregate 26,371,739 ordinary shares outstanding as of such date. These numbers are not representative of the number of beneficial holders of our shares nor is it representative of where such beneficial holders reside since many of these ordinary shares were held of record by brokers or other nominees (including one U.S. nominee company, CEDE & Co., which held approximately 98.34% of our outstanding ordinary shares as of such date).

B. RELATED PARTY TRANSACTIONS

Exchange Right Agreement. In May 2003, we executed an exchange right agreement with all of EZchip Technologies' major shareholders. Pursuant to the agreement, EZchip Technologies' four major shareholders were granted the right to exchange all their shares in EZchip Technologies for our ordinary shares, subject to the fulfillment of certain conditions. The exchange ratio was calculated according to a formula determined by the parties, and applied to all series of EZchip Technologies' shares without regard to any preferences of such shares. On December 22, 2006, we issued 3,521,566 of our ordinary shares to funds affiliated with two of the major shareholders, Star Ventures and BlueRun Ventures (formerly known as Nokia Venture Partners), in exchange for their shares of EZchip Technologies. On January 22, 2008, we issued 5,011,841 of our ordinary shares to funds affiliated with the other two major shareholders, JK&B Capital and The Goldman Sachs Group, in exchange for their shares of EZchip Technologies.

2009 Public Offering. In December 2009, we completed an underwritten public offering of 4,335,605 of our ordinary shares at a public offering price of \$10.50 per share. Of such shares, 712,618 ordinary shares were sold by us and 3,622,987 ordinary shares were sold by funds affiliated with Goldman, Sachs & Co. and JK&B Capital, who received their shares in exchange for their shares in EZchip Technologies. We used all our net proceeds from the December 2009 public offering to purchase a portion of the securities of EZchip Technologies tendered in the Employee Exchange Offer, as described below. We did not receive any proceeds from the sale of the ordinary shares by funds affiliated with Goldman, Sachs & Co. and JK&B Capital in the underwritten public offering. On January 14, 2010, we issued and sold an additional 106,893 ordinary shares in the underwritten public offering following the exercise by the underwriter of its over-allotment option for a total consideration of approximately \$1.1 million.

Employee Exchange Offer. In December 2009, we completed an exchange offer pursuant to which we exchanged:

- ordinary shares of EZchip Technologies, or EZchip Technologies Shares, held by current and former employees for a combination of cash and our ordinary shares; and
- options to purchase EZchip Technologies Shares, or EZchip Technologies Options, held by current and former employees for a combination of cash and options to purchase our ordinary shares.

We refer to this exchange as the Employee Exchange Offer. All the cash used in the Employee Exchange Offer represents proceeds the company received from the December 2009 public offering.

Upon completion of the Employee Exchange Offer:

- we issued 243,774 of our ordinary shares and options to purchase 1,642,340 of our ordinary shares to current and former employees (including options to purchase 486,428 of our ordinary shares to our directors and executive officers); and
- we acquired from employees and former employees of EZchip Technologies an aggregate of 2,707,948 EZchip Technologies Shares (including ordinary shares resulting from the exercise of options) for approximately \$7.1 million, including 859,153 EZchip Technologies Shares from our directors and executive officers.

During 2010, we issued options to purchase 41,120 of our ordinary shares to our directors and an executive officer in exchange for their EZchip Technologies Options.

Following the completion of the Employee Exchange Offer, we increased our ownership interest in EZchip Technologies to 100%. The dilution of each of our shareholder's percentage of ownership in our company as a result of the Employee Exchange Offer was substantially offset by the increase in our company's holdings in EZchip Technologies to 100% of the outstanding shares.

C. INTERESTS OF EXPERTS AND COUNSEL

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

Consolidated Financial Statements

See the consolidated financial statements included under Item 18 "Financial Statements."

Export Sales

See Note 16b to the consolidated financial statements.

Legal Proceedings

We are not a party to any litigation, other than litigation in the ordinary course of business, which in the aggregate is not material to the business of our company, and we are not aware of any threatened litigation, which in the aggregate would be material to the business of the company.

Dividend Policy

We anticipate that we will retain any future earnings to support operations and to finance the growth and development of our business. In addition, tax-exempt income attributable to our Approved Enterprise and Privileged Enterprises under Israeli tax law cannot be distributed to shareholders without subjecting us to taxes except upon the complete liquidation of our company. Tax will be levied if we decide to distribute such income in the future. Currently, we intend to reinvest the amount of our tax-exempt income. Any future dividend policy will be determined by our Board of Directors and will be based upon conditions then existing, including our results of operations, financial condition, current and anticipated cash needs, contractual restrictions and other conditions. In addition, our articles of association provide that the declaration of a dividend requires approval by an ordinary resolution of our shareholders, which may decrease but not increase the amount proposed by the Board of Directors.

According to the Israeli Companies Law, a company may distribute dividends out of its profits provided that there is no reasonable concern that such dividend distribution will prevent the company from paying all its current and foreseeable obligations, as they become due. Notwithstanding the foregoing, dividends may be paid with the approval of a court, provided that there is no reasonable concern that such dividend distribution will prevent the company from satisfying its current and foreseeable obligations, as they become due. Profits, for purposes of the Israeli Companies Law, means the greater of retained earnings or earnings accumulated during the preceding two years, after deducting previous distributions that were not deducted from the surpluses. In the event cash dividends are declared, such dividends will be paid in NIS.

B. SIGNIFICANT CHANGES

Except as otherwise disclosed in this Annual Report, there has been no material change in our financial position since December 31, 2010.

ITEM 9. THE OFFER AND LISTING

A. OFFER AND LISTING DETAILS

Our ordinary shares were listed on the NASDAQ Global Market under the symbol "LNOP" from our initial public offering in November 1992 until April 14, 2003, at which date the listing of our ordinary shares was transferred to the NASDAQ Capital Market. From January 4, 2008 until December 31, 2010, our ordinary shares were listed on the NASDAQ Global Market, and since January 1, 2011, our ordinary shares have been listed on the NASDAQ Global Select Market. On January 17, 2008 our NASDAQ symbol changed to "EZCH." Since April 1, 2002, our ordinary shares have also been traded on the Tel Aviv Stock Exchange.

Set forth below for each of the periods indicated are the range of high and low market prices of our ordinary shares as reported by the NASDAQ Global Select Market (for periods from January 1, 2011), the NASDAQ Global Market (for periods from January 4, 2008 through December 31, 2010) and the NASDAQ Capital Market (for periods prior to January 4, 2008), and the high and low market prices of our ordinary shares (in U.S. dollars) as reported by the Tel Aviv Stock Exchange. Share prices on the Tel Aviv Stock Exchange are quoted in New Israeli Shekels (NIS); the share prices set forth below in U.S. dollars reflect the translation into U.S. dollars based on the rate of exchange published by the Bank of Israel on the dates in question.

Annual Share Price Information

The following table sets forth, for each of the years indicated, the high and low market prices of our ordinary shares on the NASDAQ Global Select Market (for periods from January 1, 2011), the NASDAQ Global Market (for periods from January 4, 2008 through December 31, 2010) and the NASDAQ Capital Market (for periods prior to January 4, 2008) and the Tel Aviv Stock Exchange:

Year	NASDAQ		Tel Aviv Stock Exchange	
	High	Low	High	Low
2006	\$ 15.24	\$ 5.02	\$ 15.26	\$ 5.25
2007	\$ 24.89	\$ 11.20	\$ 24.72	\$ 11.43
2008	\$ 18.79	\$ 5.63	\$ 19.32	\$ 6.85
2009	\$ 18.12	\$ 9.95	\$ 17.66	\$ 10.51
2010	\$ 29.73	\$ 11.62	\$ 29.49	\$ 11.78

Quarterly Share Price Information

The following table sets forth, for each of the full financial quarters in the years indicated, the range of high ask and low bid prices of our ordinary shares on the NASDAQ Global Select Market (for periods from January 1, 2011), the NASDAQ Global Market (for periods from January 4, 2008 through December 31, 2010) and the NASDAQ Capital Market (for periods prior to January 4, 2008) and the Tel Aviv Stock Exchange:

	NASDAQ		Tel Aviv Stock Exchange	
	High	Low	High	Low
2008				
First quarter	\$ 18.79	\$ 9.65	\$ 19.32	\$ 8.34
Second quarter	\$ 17.87	\$ 10.00	\$ 18.54	\$ 9.86
Third quarter	\$ 18.70	\$ 10.74	\$ 18.76	\$ 11.25
Fourth quarter	\$ 16.18	\$ 5.63	\$ 15.68	\$ 6.85
2009				
First quarter	\$ 18.12	\$ 9.95	\$ 17.25	\$ 10.81
Second quarter	\$ 17.14	\$ 12.25	\$ 17.66	\$ 12.69
Third quarter	\$ 16.63	\$ 11.06	\$ 16.96	\$ 11.23
Fourth quarter	\$ 14.23	\$ 10.55	\$ 14.59	\$ 10.51
2010				
First quarter	\$ 20.25	\$ 11.62	\$ 20.52	\$ 11.78
Second quarter	\$ 20.80	\$ 14.97	\$ 20.32	\$ 15.28
Third quarter	\$ 26.61	\$ 16.93	\$ 26.45	\$ 16.59
Fourth quarter	\$ 29.73	\$ 22.64	\$ 29.49	\$ 23.11

Monthly Share Price Information

The following table sets forth, for the most recent six months, the high and low market prices of our ordinary shares on the NASDAQ Global Select Market (for periods from January 1, 2011), the NASDAQ Global Market (for periods until December 31, 2010) and the Tel Aviv Stock Exchange:

	NASDAQ		Tel Aviv Stock Exchange	
	High	Low	High	Low
October 2010	\$ 25.91	\$ 22.68	\$ 25.91	\$ 23.11
November 2010	\$ 26.00	\$ 22.64	\$ 25.98	\$ 23.17
December 2010	\$ 29.73	\$ 24.35	\$ 29.49	\$ 23.88
January 2011	\$ 33.20	\$ 28.17	\$ 33.91	\$ 28.11
February 2011	\$ 33.48	\$ 27.00	\$ 33.74	\$ 25.17
March 2011 (through March 28, 2011)	\$ 30.40	\$ 26.55	\$ 30.91	\$ 26.61

B. PLAN OF DISTRIBUTION

Not applicable

C. MARKETS

See Item 9A. "The Offer and Listing - Offer and Listing Details."

D. SELLING SHAREHOLDERS

Not applicable.

E. DILUTION

Not applicable.

F. EXPENSE OF THE ISSUE

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. SHARE CAPITAL

Not applicable.

B. MEMORANDUM AND ARTICLES OF ASSOCIATION

Purposes and Objects of the Company

We are a public company registered under the Israel Companies Law as EZchip Semiconductor Ltd., registration number 52-003806-8. The objective stated in our memorandum of association is to engage in any lawful activity.

Powers of the Directors

Pursuant to the Israeli Companies Law and our articles of association, a director is generally not permitted to participate in the discussion of, or to vote on, a proposal, arrangement or contract in which he has a personal interest. Also, the directors may not vote compensation to themselves or any members of their body without the approval of our audit committee and our shareholders at a general meeting. The requirements for approval of certain transactions are set forth above in "Item 6B. Directors, Senior Management and Employees – Board Practices – Fiduciary Duties; Approval of Certain Transactions." The power of our directors to enter into borrowing arrangements on our behalf is limited to the same extent as any other transaction by us.

Rights Attached to Ordinary Shares

Our authorized share capital consists of 50,000,000 ordinary shares, par value NIS 0.02 per share. All outstanding ordinary shares are validly issued and fully paid. Certain rights attached to the ordinary shares are as described below.

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

Our ordinary shares do not have cumulative voting rights in the election of directors. As a result, the holders of ordinary shares that represent more than 50% of the voting power represented at a shareholders meeting have the power to elect all of our directors, except the outside directors whose election requires a special majority.

Under our articles of association, most decisions may be approved by a simple majority, although certain resolutions, referred to as special resolutions (for example, changes to the articles of association), require approval of at least 75% of the shares present and voting on the matter.

Dividend and Liquidation Rights; Rights to Shares in our Company's Profits. We may declare a dividend to be paid to the holders of ordinary shares according to their rights and interests in our profits. Under the Israeli Companies Law, the declaration of a dividend does not require the approval of the shareholders of the company, unless the company's articles of association require otherwise. Our articles of association provide that the board of directors may declare and distribute interim dividends without the approval of the shareholders, but the payment of a final dividend requires shareholder approval.

In the event of our liquidation, after satisfaction of liabilities to creditors, our assets will be distributed to the holders of ordinary shares in proportion to the nominal value of their holdings. This right may be affected by the grant of preferential dividend or distribution rights to the holders of a class of shares with preferential rights that may be authorized in the future. Pursuant to Israel's securities laws, a company registering its shares for trade on the Tel Aviv Stock Exchange may not have more than one class of shares for a period of one year following registration, after which it is permitted to issue preferred shares, if the preference of those shares is limited to a preference in the distribution of dividends and these preferred shares have no voting rights.

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

Changing Rights Attached to Shares

According to our articles of association, the rights of our ordinary shares may be cancelled, added to, restricted, amended or otherwise altered with a vote of the holders of at least 75% of the outstanding ordinary shares voting at a duly convened shareholders' meeting.

Annual and Extraordinary General Meetings

We must hold our annual general meeting of shareholders each year no later than 15 months from the last annual meeting, at a time and place determined by the board of directors. Depending on the matter to be voted upon, notice of at least 21 days or 35 days prior to the date of the meeting is required. A special meeting may be convened by request of two directors, one quarter of the directors in office, or by written request of one or more shareholders holding at least 5% of our issued share capital and 1% of the voting rights or one or more shareholders holding at least 5% of the voting rights.

The quorum required for a meeting of shareholders consists of at least two shareholders present in person or by proxy who hold at least 50% of the issued share capital. A meeting adjourned for lack of a quorum generally is adjourned to the same day in the following week at the same time and place or any time and place as the Chairman may determine with the consent of the holders of a majority of the voting power represented at the meeting in person or by proxy and voting on the question of adjournment. At the reconvened meeting, the required quorum consists of any two members present in person or by proxy.

Limitations on the Rights to Own Securities

The ownership or voting of ordinary shares by non-residents of Israel is not restricted in any way by our articles of association or the laws of the State of Israel, except that nationals of countries which are, or have been, in a state of war with Israel may not be recognized as owners of ordinary shares.

Anti-Takeover Provisions Under Israeli Law

The Israeli Companies Law provides that an acquisition of shares in a public company must be made by means of a tender offer if as a result of the acquisition the purchaser would hold 25% or more of the voting rights in the company, unless there is already another shareholder of the company with 25% or more of the voting rights. Similarly, the Israeli Companies Law provides that an acquisition of shares in a public company must be made by means of a tender offer if as a result of the acquisition the purchaser would hold more than 45% of the voting rights in the company, unless there is a shareholder with more than 45% of the voting rights in the company.

Under the Israeli Companies Law, a person may not purchase shares of a public company if, following the purchase, the purchaser would hold more than 90% of the company's shares or of any class of shares, unless the purchaser makes a tender offer to purchase all of the target company's shares or all the shares of the particular class, as applicable. If, as a result of the tender offer, either:

- the purchaser acquires more than 95% of the company's shares or a particular class of shares and a majority of the shareholders that did not have a personal interest accepted the offer; or
- the purchaser acquires more than 98% of the company's shares or a particular class of shares;

then, the Israeli Companies Law provides that the purchaser automatically acquires ownership of the remaining shares. However, if the purchaser is unable to purchase more than 95% or 98%, as applicable, of the company's shares or class of shares, the purchaser may not own more than 90% of the shares or class of shares of the target company.

The Israeli Companies Law requires the parties to a proposed merger to file a merger proposal with the Israeli Registrar of Companies, specifying certain terms of the transaction. Each merging company's board of directors and shareholders must approve the merger. Shares in one of the merging companies held by the other merging company or certain of its affiliates are disenfranchised for purposes of voting on the merger. A merging company must inform its creditors of the proposed merger. Any creditor of a party to the merger may seek a court order blocking the merger, if there is a reasonable concern that the surviving company will not be able to satisfy all of the obligations of the parties to the merger. Moreover, a merger may not be completed until at least 50 days have passed from the time that the merger proposal was filed with the Israeli Registrar of Companies and at least 30 days have passed from the approval of the shareholders of each of the merging companies.

Finally, in general, Israeli tax law treats stock-for-stock acquisitions less favorably than does U.S. tax law. Israeli tax law has been amended to provide for tax deferral in specified acquisitions, including transactions where the consideration for the sale of shares is the receipt of shares of the acquiring company. Nevertheless, Israeli tax law may subject a shareholder who exchanges his ordinary shares for shares in a foreign corporation to immediate taxation or to taxation before his investment in the foreign corporation becomes liquid, although in the case of shares of a foreign corporation that are traded on a stock exchange, the tax may be postponed subject to certain conditions.

C. MATERIAL CONTRACTS

On April 29, 2004, EZchip Technologies and eSilicon Corporation, or eSilicon, entered into a Master ASIC Services Agreement. Under the agreement, eSilicon agreed to perform, or cause to be performed on its behalf by an agreed upon party, at the request of EZchip Technologies, various ASIC services and manufacture certain ASIC products for EZchip Technologies. eSilicon agreed to use commercially reasonable efforts to furnish the services and develop and deliver the deliverables specified in any order issued by EZchip Technologies under a project proposal determined by the parties under the agreement. Currently, eSilicon manufactures our NP-2 network processor. The agreement was for an initial term of three years and automatically renews for additional one-year terms following the initial term and each renewal term thereafter, unless terminated by either party upon 90 days notice prior to the date of the automatic renewal. This summary is qualified in its entirety by the text of the agreement, which is an exhibit to this Annual Report.

On January 1, 2007, EZchip Technologies and Juniper Networks entered into an Agreement for Purchase and Sale of Goods. Under the agreement, we agreed to supply to Juniper Networks our network processors for incorporation in Juniper Networks' network equipment products and components upon orders issued by Juniper Networks or its affiliates. Currently, we supply Juniper Networks with our NP-2 network processor. The agreement was for an initial term of three years and is automatically extended for successive two-year terms, unless terminated by either party upon prior notice in accordance with its terms. The agreement does not provide for any minimum purchase orders by Juniper Networks. For the years ended December 31, 2008, 2009 and 2010, Juniper Networks paid us under the agreement \$18.4 million, \$21.6 million and \$25.0 million, respectively. This summary is qualified in its entirety by the text of the agreement, which is an exhibit to this Annual Report.

On October 30, 2000, EZchip Technologies and International Business Machines Corporation, or IBM, entered into a Customs Sales Agreement (Base Agreement), as amended. Under the agreement, IBM agreed to perform, at the request of EZchip Technologies, various ASIC services and to manufacture certain ASIC products for EZchip Technologies. IBM agreed to use commercially reasonable efforts to furnish the services and develop and deliver the deliverables specified in any order issued by EZchip Technologies under a project proposal determined by the parties under the agreement. Currently, IBM manufactures our standard NP-3 network processor using the 90 nanometer process. The agreement was for an initial term of five years, which term is extended through the expiration term of any outstanding agreement to provide services under the agreement. Accordingly, the agreement is currently extended through December 31, 2014. This summary is qualified in its entirety by the text of the agreement, as amended, which is an exhibit to this Annual Report.

On April 12, 2006, EZchip Technologies and Marvell entered into a Technology Development, License and Manufacturing Agreement, as amended September 2006, and EZchip Technologies, Marvell and Cisco entered into a Business Term Agreement, dated November 15, 2006. Pursuant to the agreements with Marvell and Cisco, Marvell is responsible for the manufacturing and selling of the customized version of our NP-3 processor to Cisco and pays us a fixed royalty fee per each chip sold to Cisco. Cisco entered production with our NP-3 during the first quarter of 2009 and through Marvell accounted for approximately 20% of our 2010 revenues. On September 24, 2009, EZchip Technologies and Marvell further amended the Technology Development, License and Manufacturing Agreement, and on December 7, 2010, EZchip Technologies, Marvell and Cisco entered into a new Business Term Agreement relating to our NP-4 processor, which applied substantially the same commercial terms that apply to our NP-3 processor also to the NP-4. In addition, the new agreement with Marvell provides that Marvell will also act as the ASIC vendor of the general version of the NP-4 processor that will be sold by us directly to all NP-4 customers, excluding Cisco who will buy the special version NP-4 processor from Marvell. NP-4 has not yet entered into production. We expect Cisco, through Marvell, to become our largest customer and the main driver of our revenue growth in the coming years. The agreements do not provide for any minimum purchase orders by EZchip, Marvell or Cisco, or for a specific termination date. For the years ended December 31, 2008, 2009 and 2010, Marvell paid us under the agreements \$0.7 million, \$3.1 million and \$12.5 million, respectively. This summary is qualified in its entirety by the text of the agreements, which are exhibits to this Annual Report.

D. EXCHANGE CONTROLS

Non-residents of Israel who purchase our ordinary shares may freely convert all amounts received in Israeli currency in respect of such ordinary shares, whether as a dividend, as a liquidating distribution or as proceeds from the sale of the ordinary shares, into freely-repatriable non-Israeli currencies at the rate of exchange prevailing at the time of conversion (provided in each case that the applicable Israeli income tax, if any, is paid or withheld). Israeli residents are also eligible to purchase ordinary shares.

Until May 1998 Israel imposed extensive restrictions on transactions in foreign currency. These restrictions were largely lifted in May 1998. Since January 1, 2003 all exchange control restrictions have been eliminated (although there are still reporting requirements for foreign currency transactions). Legislation remains in effect, however, pursuant to which currency controls can be imposed by administrative action at any time.

E. TAXATION

ISRAELI TAX CONSIDERATIONS, FOREIGN EXCHANGE REGULATIONS AND INVESTMENT PROGRAMS

The following is a summary of the principal Israeli tax laws applicable to us, of the Israeli Government programs from which we benefit, and of Israeli foreign exchange regulations. This section also contains a discussion of material Israeli tax consequences to our shareholders who are not residents or citizens of Israel. This summary does not discuss all aspects of Israeli tax law that may be relevant to a particular investor in light of his or her personal investment circumstances, or to some types of investors subject to special treatment under Israeli law. Examples of investors subject to special treatment under Israeli law include residents of Israel, traders in securities, or persons who own, directly or indirectly, 10% or more of our outstanding voting capital, all of whom are subject to special tax regimes not covered in this discussion. Some parts of this discussion are based on new tax legislation that has not been subject to judicial or administrative interpretation. The discussion should not be construed as legal or professional tax advice and does not cover all possible tax consequences.

You are urged to consult your own tax advisor as to the Israeli and other tax consequences of the purchase, ownership and disposition of our ordinary shares, including, in particular, the effect of any non-Israeli, state or local taxes.

General corporate tax structure in Israel

Israeli companies were generally subject to corporate tax at the rate of 25% of their taxable income in 2010. The corporate tax rate was reduced to 24% in 2011 (according to Amendment 147 of The Israeli Tax Ordinance). Corporate tax rates applicable for 2008 and 2009 were 27% and 26%, respectively.

In July 2009, the Knesset passed the Law for Economic Efficiency (Amended Legislation for Implementing the Economic Plan for 2009 and 2010), 2009, which prescribes, among other things, an additional gradual reduction in the rates of the Israeli corporate tax and real capital gains tax starting in 2011 to the following tax rates: 2011 - 24%, 2012 - 23%, 2013 - 22%, 2014 - 21%, 2015 - 20%, 2016 and thereafter - 18%.

In 2006, transfer pricing regulations came into force, following the introduction of Section 85A of the Israeli Tax Ordinance under Amendment 132. The transfer pricing rules require that cross-border transactions between related parties be carried out implementing an arms' length principle and reported and taxed accordingly.

In 2008, the Knesset passed an amendment to the Income Tax (Inflationary Adjustments) Law, 1985, which limits the scope of the law starting in 2008 and thereafter. Starting in 2008, the results for tax purposes are measured in nominal values, excluding certain adjustments for changes in the consumer price index carried out in the period up to December 31, 2007. The amended law includes, among other provisions, the elimination of the inflationary additions and deductions and the additional deduction for depreciation starting in 2008.

Israeli companies are subject to 25% capital gains tax on gains earned after January 1, 2003. Capital gains pertaining to assets acquired before that date are subject to a blended tax rate based on the relative periods of time held before and after that date. Capital gains earned by Israeli companies are subject to the gradually-decreasing corporate income tax rates.

However, as discussed below, the rate may be effectively reduced for income derived from an Approved Enterprise and Privileged Enterprise.

Law for the Encouragement of Capital Investments, 1959

The Investment Law provides that capital investments in a production facility (or other eligible assets) may be designated as an Approved Enterprise and Privileged Enterprise and qualify for certain tax benefits.

Until April 2005, the designation required advance approval from the Investment Center of the Israel Ministry of Industry, Trade and Labor. Each certificate of approval for an Approved Enterprise relates to a specific investment program, delineated both by the financial scope of the investment and by the physical characteristics of the facility or the asset. Under the Approved Enterprise program, a company is eligible for governmental grants. The tax benefits under such program are generally limited to 12 years from commencement of operation or 14 years from the date of the approval, whichever is earlier. A company may elect to receive an alternative package comprised of tax benefits, referred to as the Alternative Track, rather than grants. Under the Alternative Track, a company's undistributed income derived from an Approved Enterprise is exempt from corporate tax for an initial period (two to ten years, depending on the geographic location of the Approved Enterprise within Israel). The exemption begins in the first year that the company realizes taxable income from the Approved Enterprise. There is no year limitation to the Alternative Track.

On April 1, 2005, an amendment to the Investment Law came into effect. The amendment revised the criteria for investments qualified to receive tax benefits. An eligible investment program under the amendment will qualify for benefits as a Privileged Enterprise (rather than the previous terminology of Approved Enterprise). Among other things, the amendment provides tax benefits to both local and foreign investors and simplifies the approval process. The period of tax benefits for a new Privileged Enterprise commences in the "Year of Commencement." This year is the later of (1) the year in which taxable income is first generated by a company, or (2) a year selected by the company for commencement, on the condition that the company meets certain provisions provided by the Investment Law, referred to as the Year of Election. The amendment does not apply to investment programs approved prior to December 31, 2004, and applies to new investment programs only. Therefore, our Approved Enterprise program is not subject to the provisions of the amendment, but our two Privileged Enterprise programs are.

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

The duration of tax benefits is subject to a limitation of the earlier of seven to ten years from the Year of Commencement, or 12 years from the first day of the Year of Election. The tax benefits granted to a Privileged Enterprise are determined according to one of the following tax routes:

- Similar to the Alternative Track for an Approved Enterprise program, exemption from corporate tax on undistributed income for a period of two to ten years, depending on the geographic location of the Privileged Enterprise within Israel, and a reduced corporate tax rate of 10% to 25% for the remainder of the benefits period, depending on the level of foreign investment in each year. Benefits may be granted for a term of seven to ten years, depending on the level of foreign investment in the company. If the company pays a dividend out of income derived from the Privileged Enterprise during the tax exemption period, such income will be subject to corporate tax at the applicable rate (10%-25%) in respect of the gross amount of the dividend that we may distribute. The company is required to withhold tax at the source at a rate of 15% from any dividends distributed from income derived from the Privileged Enterprise; and
- A special tax route, which enables companies owning facilities in certain geographical locations in Israel to pay corporate tax at the rate of 11.5% on income of the Privileged Enterprise. The benefits period is ten years. Upon payment of dividends, the company is required to withhold tax at source at a rate of 15% for Israeli residents and at a rate of 4% for foreign residents.

The amendment applies to Approved Enterprise programs in which the Year of Election under the Investment Law is 2004 or later, unless such programs received approval from the Investment Center on or prior to December 31, 2004, in which case the amendment provides that terms and benefits included in any certificate of approval already granted will remain subject to the provisions of the law as they were on the date of such approval.

If a company distributes dividends from tax-exempt Approved/Privileged Enterprise income, the company will be taxed on the otherwise exempt income at the same corporate tax rate that applies to it.

Currently we have three programs under the Investment Law, which entitle us to tax benefits. The first program pursuant to the Investment Law as in effect prior to the amendment (Approved Enterprise), and the second and the third programs pursuant to the Investment Law as in effect after the amendment (Privileged Enterprise). Our facilities in Israel have been granted Approved Enterprise status under the Investment Law. All the programs are subject to the alternative track provisions pursuant to which undistributed income derived from the programs is exempt from tax for a ten year period. The exemption period for our programs starts in the first year in which we generate taxable income from the enterprises subject to certain conditions. As mentioned above, the year's limitation does not apply to the exemption period for the approved and privileged enterprises.

We intend to continue to make our investments in productive assets as Privileged Enterprise programs, but we cannot assure you that we will do so or that we will be successful. We intend to reinvest the entire amount of our tax-exempt income and not to distribute this income as a dividend.

The benefits available to an Approved/Privileged Enterprise are conditioned upon terms stipulated in the Investment Law and the related regulations (which include making specified investments in property and equipment, and financing a percentage of these investments with share capital), and with respect to an Approved Enterprise, the criteria set forth in the applicable certificate of approval. If we do not fulfill these conditions in whole or in part, the benefits can be cancelled and it may be required to refund the amount of the benefits, linked to the Israeli consumer price index plus interest. We believe that our Approved Enterprise and Privilege Enterprise programs currently operate in compliance with all applicable conditions and criteria, but we cannot assure you that they will continue to do so.

As a result of the amendment to the Investment Law in April 2005, tax-exempt income generated under the provisions of the amended law will subject us to taxes upon distribution or liquidation and we may be required to record deferred tax liability with respect to such tax-exempt income. As of December 31, 2010, we had not generated any income under the provisions of the Investment Law.

Amendment to the Law for the Encouragement of Capital Investments, 1959

On January 2011, new legislation amending the Investment Law was adopted. Under this new legislation, a uniform corporate tax rate will apply to all qualifying income of certain Industrial Companies, as opposed to the current law's incentives, which are limited to income from Approved Enterprises and Privileged Enterprises during their benefits period. Under the new law, the uniform tax rate will be 10% in areas in Israel designated as Development Zone A and 15% elsewhere in Israel during 2011-2012, 7% and 12.5%, respectively, in 2013-2014, and 6% and 12%, respectively thereafter. Certain "Special Industrial Companies" that meet certain criteria will benefit from further reduced tax rates of 5% in Zone A and 8% elsewhere. The profits of these Industrial Companies will be freely distributable as dividends, subject to a 15% withholding tax (or lower, under an applicable tax treaty). Under the transition provisions of the new legislation, we may decide to irrevocably implement the new law while waiving benefits provided under the Investment Law as currently in effect or to remain subject to the Investment Law as currently in effect. Changing from the current law to the new law is permitted at any time. We do not expect the new law to have a material effect on the tax payable on its Israeli operations in the foreseeable future.

Law for Encouragement of Research and Development in the Industry, 1984

Since April 2006, our research and development efforts have been financed, in part, through grants from the Office of the Chief Scientist, or the OCS, under our approved plans in accordance with the Israeli Law for Encouragement of Research and Development in the Industry, 1984, or the R&D Law. Through December 31, 2010, we had applied and received approval for grants totaling \$12.5 million from the OCS. Under Israeli law and the approved plans, royalties on the revenues derived from sales of any of our products incorporating OCS funded know-how (including ancillary services) are payable to the Israeli government, generally at the rate of 4.0% during the first three years and 4.5% beginning with the fourth year, up to the amount of the received grants as adjusted for fluctuation in the U.S. dollar/NIS exchange rate. Royalties are paid on our consolidated revenues for products for which we received OCS participation. With respect to royalties for revenues derived from the partnership with Marvell, royalties to the OCS will be calculated based on Marvell's sale price to Cisco. The grants also bear interest equal to the 12-month London Interbank Offered Rate applicable to dollar deposits that is published on the first business day of each calendar year.

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

The R&D Law provides that the consent of the OCS for the transfer outside of Israel of know-how derived out of an approved plan may only be granted under special circumstances and subject to fulfillment of certain conditions specified in the R&D Law as follows:

- the grant recipient pays to the OCS a portion of the sale price paid in consideration for such OCS-funded know-how (according to certain formulas), except if the grantee receives from the transferee of the know-how an exclusive, irrevocable, perpetual unlimited license to fully utilize the know-how and all related rights;
- the grant recipient receives know-how from a third party in exchange for its OCS funded know-how; or
- such transfer of OCS funded know-how arises in connection with certain types of cooperation in research and development activities.

As of December 31, 2010, we had an outstanding contingent obligation to pay royalties in the amount of approximately \$10.3 million.

Law for the Encouragement of Industry (Taxes), 1969

We believe that EZchip Technologies currently qualifies as an Industrial Company within the meaning of the Law for the Encouragement of Industry (Taxes), 1969 (the Industrial Encouragement Law). The Industrial Encouragement Law defines an Industrial Company as a company that is resident in Israel and that derives at least 90% of its income in any tax year, other than income from defense loans, capital gains, interest and dividends, from an industrial enterprise owned by that company whose major activity in a given tax year is industrial production.

The following are the principal corporate tax benefits that are available to Industrial Companies:

- amortization of the cost of purchased know-how and patents over an eight-year period for tax purposes,
- accelerated depreciation rates on equipment and buildings,
- under specified conditions, an election to file consolidated tax returns with related Israeli Industrial Companies, and
- expenses related to a public offering are deductible in equal amounts over three years.

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

Taxation of Shareholders on Receipt of Dividends

Taxation of Non-Israeli Shareholders

Under Israeli tax law, a distribution of dividends from income attributable to an Approved/Privileged Enterprise will be subject to tax in Israel at the rate of 15%, which is withheld and paid by the company paying the dividend, if the dividend is distributed during the benefits period or within the following 12 years (but the 12-year limitation does not apply to a Foreign Investors Company according to the Investment Law). Any distribution of dividends from income that is not attributable to an Approved/Privileged Enterprise will be subject to tax in Israel at the rate of 20% unless a lower rate is applicable under a double taxation treaty, except that dividends distributed to an individual who is deemed "substantial shareholder" are subject to tax at the rate of 25%. These rates are the final taxes in Israel on dividends for individual and corporate non-residents of Israel. Foreign residents who have Israeli derived income for which tax was withheld at the source are generally exempt from the duty to file tax returns in Israel for such income. This includes income from Israeli derived interest, dividends and royalties.

Under the United States-Israel tax treaty, the maximum tax on dividends paid to a holder of the ordinary shares who is a United States resident is 25% (following amendment 147 to the Israeli Tax Ordinance the applicable withholding tax for dividends paid after January 1, 2006 is 20% of the dividend amount) or 15% in connection with an Approved Enterprise/Privileged Enterprise.

Dividends received by a United States company that holds at least 10% of our voting rights will be subject to withholding tax at the rate of 12.5%, provided certain other conditions in the tax treaty are met (or at the tax rate of 15% in respect of dividends paid from income attributable to our Approved Enterprises).

A U.S. corporation would have a reduced withholding rate on dividends if it were to own 10% or more of our voting rights under specified conditions. The reduced withholding tax rate on the dividend would be 12.5%. The U.S. corporation must own at least 10% of the voting shares during the portion of the company's tax year before the payment of the dividend and during the entire prior tax year. The reduced rate is also subject to two other conditions. First, not more than 25% of the company's gross income for the prior tax year could consist of interest, other than interest received from banking, financing or similar businesses or from certain subsidiaries. Second, the dividend cannot be derived from income during any period for which the company is entitled to the reduced tax rate applicable to an Approved Enterprise/Privileged Enterprise. In this case the withholding tax rate would be 15%.

According to an amendment to the Israeli Tax Ordinance, which became effective in 2003, since EZchip Semiconductor's ordinary shares are traded on the TASE and on NASDAQ, gains on the sale of ordinary shares held by non-Israeli resident investors for tax purposes will generally be exempt from Israeli capital gains tax, subject to the provisions of the Israeli tax legislation. Under the terms of the tax treaty, Israel may tax capital gains realized by shareholders resident in the United States on a sale of ordinary shares of EZchip Semiconductor if certain conditions exist, however, such right is subject to the above exemption.

Taxation of Israeli Shareholders

Israeli resident individuals are generally subject to Israeli income tax on the receipt of dividends paid on our ordinary shares, other than bonus shares (share dividends) or stock dividends, at the rate of 20%, or 25% for a shareholder that is considered a material shareholder (within the meaning of the Israeli Income Tax Ordinance) at any time during the 12-month period preceding such distribution.

Dividends paid from income derived from attributable to an Approved/Privileged Enterprise are subject to tax, which is withheld at the source, at the rate of 15%. This limitation does not apply if the company qualifies as a foreign investors' company according to the Investment Law. We cannot assure you that we will designate the profits that are being distributed in a way that will reduce shareholders' tax liability to this tax rate.

Capital Gains Taxes Applicable to Non-Israeli Shareholders

Capital gains from the sale of our ordinary shares by non-Israeli shareholders are exempt from Israeli taxation, provided that the capital gain is not derived from a permanent establishment in Israel. In addition, the United States-Israel tax treaty exempts United States residents who hold less than 10% of our voting rights, and who held less than 10% of our voting rights during the 12 months prior to a sale of their shares, from Israeli capital gains tax in connection with such sale.

However, non-Israeli corporations will not be entitled to such exemption if an Israeli resident (i) has a controlling interest of 25% or more in such non-Israeli corporation, or (ii) is the beneficiary or is entitled to 25% or more of the revenues or profits of such non-Israeli corporation, whether directly or indirectly.

Capital Gains Taxes Applicable to Israeli Residents

As of January 1, 2006, the tax rate on capital gains to a non-principal individual shareholder (those persons holding less than 10% of our ordinary shares), derived from sales of shares listed on a stock exchange, is 20% on the real capital gain accrued from January 1, 2003 and 25% to an individual principal shareholder.

The real gain is based on the difference between the adjusted average value of the shares during the last three trading days before January 1, 2003 (or the adjusted original cost if it is higher than the adjusted average value) and the value of the shares at the date of sale. In the later case, the capital loss that might be set off is the difference between the adjusted average value and the value of the shares at the date of sale.

Dealers in securities in Israel are taxed at regular tax rates applicable to business income. Companies resident in Israel are taxed at rates applicable to capital gains.

Dividends, if any, paid to the holders of our ordinary shares, and any amounts payable upon our dissolution, liquidation or winding up, as well as the proceeds of any sale in Israel of our ordinary shares to an Israeli resident, may be paid in non-Israeli currency. If these amounts are paid in Israeli currency, they may be converted into freely repatriable U.S. dollar at the rate of exchange prevailing at the time of conversion. In addition, the statutory framework for the potential imposition of exchange controls has not been eliminated, and may be restored at any time by administrative action.

U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following summary sets forth the material U. S. federal income tax consequences applicable to the following persons who purchase, hold or dispose of the ordinary shares ("U.S. Shareholders"): (i) citizens or residents (as defined for U.S. federal income tax purposes) of the United States; (ii) corporations, or other entities taxable as corporations for U.S. federal income tax purposes, created or organized in or under the laws of the United States or any political subdivision thereof; (iii) estates, the income of which is subject to U. S. federal income taxation regardless of its source; and (iv) trusts, if (a) a U.S. court is able to exercise primary supervision over its administration and (b) one or more U.S. persons have the authority to control all of its substantial decisions. This discussion is based on the provisions of the U. S. Internal Revenue Code of 1986, as amended, or the Code, U.S. Treasury Regulations promulgated thereunder and administrative and judicial interpretations thereof, all as in effect as of the date of this Annual Report, and all of which are subject to change either prospectively or retroactively. This discussion generally considers only U.S. Shareholders that will hold the ordinary shares as capital assets for U.S. federal income tax purposes and does not consider (a) all aspects of U.S. federal income taxation that may be relevant to particular U.S. Shareholders by reason of their particular circumstances (including potential application of the alternative minimum tax), (b) U.S. Shareholders subject to special treatment under the U.S. federal income tax laws, such as financial institutions, insurance companies, broker-dealers and tax-exempt organizations, (c) U.S. Shareholders owning, directly or by attribution, 10% or more of EZchip Semiconductor's outstanding voting shares, (d) U.S. Shareholders who hold the ordinary shares as part of a hedging, straddle or conversion transaction, or appreciated financial position, (e) U.S. Shareholders who acquire their ordinary shares in a compensatory transaction, (f) U.S. Shareholders whose functional currency is not the U.S. dollar, or (g) any aspect of state, local or non-U.S. tax law.

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

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

Distributions Paid on the Ordinary Shares

Subject to the discussion of the passive foreign investment company rules below, a U.S. Shareholder generally will be required to include in gross income as dividend income the amount of any distributions paid in respect of the ordinary shares (including the amount of any Israeli taxes withheld therefrom) to the extent that such distributions are paid out of EZchip Semiconductor's current or accumulated earnings and profits as determined for U.S. federal income tax purposes. Distributions in excess of such earnings and profits will be treated first as a non-taxable return of capital, reducing the U.S. Shareholder's tax basis in the ordinary shares to the extent of the distributions, and then as capital gain from a sale or exchange of such ordinary shares. Such dividends will generally not qualify for the dividends received deduction available to corporations. The amount of any cash distribution paid in NIS will equal the U.S. dollar value of the distribution, calculated by reference to the spot exchange rate in effect on the date of the distribution, regardless of whether the payment is in fact converted into U.S. dollars on that day. A U.S. Shareholder generally will recognize foreign currency gain or loss (which is treated as ordinary income or loss from sources within the United States) upon the subsequent disposition of the NIS.

Subject to certain complex conditions and limitations, any Israeli tax withheld or paid with respect to dividends on the ordinary shares will generally be eligible for credit against a U.S. Shareholder's U.S. federal income tax liability at such U.S. Shareholder's election. The Code provides limitations on the amount of foreign tax credits that a U.S. Shareholder may claim, including extensive separate computation rules under which foreign tax credits allowable with respect to specific categories of income cannot exceed the U.S. federal income taxes otherwise payable with respect to each such category of income. U.S. Shareholders that do not elect to claim a foreign tax credit may instead claim a deduction for Israeli income tax withheld or paid, but only for a year in which such U.S. Shareholders elect to do so for all non-U.S. income taxes. Dividends with respect to the ordinary shares will generally be classified as foreign source "passive category income" or, in the case of certain U.S. Shareholders, general category income for the purpose of computing a U.S. Shareholder's foreign tax credit limitations for U.S. foreign tax credit purposes. Further, there are special rules for computing the foreign tax credit limitation of a taxpayer who receives dividends subject to a reduced tax rate, see discussion below. The rules relating to foreign tax credits are complex, and each U.S. Shareholder should consult his or her tax advisor to determine whether he or she would be entitled to this credit.

Subject to certain limitations, "qualified dividend income" received by a noncorporate U.S. Holder in tax years beginning on or before December 31, 2012 will be subject to tax at a reduced maximum tax rate of 15 percent. Distributions taxable as dividends paid on the ordinary shares should qualify for the 15 percent rate provided that either: (i) EZchip Semiconductor is entitled to benefits under the income tax treaty between the United States and Israel (the "Treaty") or (ii) the ordinary shares are readily tradable on an established securities market in the United States and certain other requirements are met. We believe that EZchip Semiconductor is entitled to benefits under the Treaty and that the ordinary shares currently are readily tradable on an established securities market in the United States. However, no assurance can be given that the ordinary shares will remain readily tradable. The rate reduction does not apply unless certain holding period requirements are satisfied. With respect to the ordinary shares, the U.S. Holder must have held such shares for at least 61 days during the 121-day period beginning 60 days before the ex-dividend date. The rate reduction also does not apply to dividends received from passive foreign investment companies, see discussion below, or in respect of certain hedged positions or in certain other situations. The legislation enacting the reduced tax rate contains special rules for computing the foreign tax credit limitation of a taxpayer who receives dividends subject to the reduced tax rate. U.S. Holders of ordinary shares should consult their own tax advisors regarding the effect of these rules in their particular circumstances.

Sale, Exchange or Other Disposition of the Ordinary Shares

Subject to the discussion of the passive foreign investment company rules below, the sale, exchange or other disposition of ordinary shares will generally result in the recognition of capital gain or loss in an amount equal to the difference between the amount realized on the sale or exchange and the U.S. Shareholder's tax basis in the ordinary shares (determined in U.S. dollars). Such gain or loss generally will be long-term capital gain or loss if the U.S. Shareholder's holding period of the ordinary shares exceeds one year at the time of the disposition. Gain or loss recognized by a U.S. Shareholder on a sale or exchange of ordinary shares generally will be treated as U.S. source gain or loss for U.S. foreign tax credit purposes. Under the Treaty, gain derived from the sale, exchange or other disposition of ordinary shares by a holder who is a resident of the United States for purposes of the Treaty and who sells the ordinary shares within Israel may be treated as foreign source income for U.S. foreign tax credit purposes.

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

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

Passive Foreign Investment Company Status

For U.S. federal income tax purposes, a foreign corporation will be classified as a passive foreign investment company, or a PFIC, if, for any taxable year, either (i) 75% or more of its gross income in the taxable year is passive income, or (ii) 50% or more of the average value of its gross assets in the taxable year, calculated quarterly by value, produce or are held for the production of, passive income. For this purpose, passive income includes dividends, interest, royalties, rents, annuities and the excess of gain over losses from the disposition of assets which produce passive income.

Although not free from doubt, based on our current and projected income, assets and activities, we believe that we are not currently a PFIC nor do we expect to become a PFIC in the foreseeable future. However, there can be no assurance that we will not in fact be considered to be a PFIC for our current taxable year or any other subsequent year because (i) the determination of whether or not we are a PFIC will be based on the composition of our income and assets and can be definitively made only after the end of each taxable year, (ii) the value of our stock has been volatile historically, (iii) we own substantial amounts of assets such as cash and marketable securities which are considered passive assets for purposes of the PFIC rules and (iv) the legal and financial analysis to determine whether a company is a PFIC is not entirely clear. Therefore, there is no assurance that our belief regarding PFIC status will not be challenged by the U.S. Internal Revenue Service, or the IRS, or that a court will not sustain such challenge.

If we were a PFIC for any taxable year during a U.S. Shareholder's holding period, and the U.S. Shareholder did not timely elect to treat the Company as a "qualified electing fund" under Section 1295 of the Code or elect to "mark to market" the ordinary shares (each as discussed below), a U.S. Shareholder would be subject to special tax rules on the receipt of an "excess distribution" on the ordinary shares (generally, a distribution to the extent it exceeds 125% of the average annual distributions in the prior three years) and on gain from the disposition of the ordinary shares. Under these rules, the excess distribution and any gain would be allocated ratably over the U.S. Shareholder's holding period in the ordinary shares, the amount allocated to the current taxable year and any taxable year prior to the first taxable year in which we are a PFIC would be taxed as ordinary income, the amount allocated to each of the other taxable years would be subject to tax at the highest marginal rate in effect for the applicable class of taxpayer for that year, and an interest charge for the deemed deferral benefit would be imposed on the resulting tax allocated to such other taxable years. The tax liability with respect to amounts allocated to years prior to the year of the disposition or "excess distribution" would not be offset by any net operating losses. Additionally, if we are deemed to be a PFIC, a U.S. Shareholder who acquires our ordinary shares from a decedent generally will be denied the normally available step-up in tax basis to fair market value for the ordinary shares at the date of the death, and instead will have a tax basis equal to the decedent's tax basis if lower than fair market value.

U.S. Shareholders may avoid taxation under the rules described above by making (i) a "qualified electing fund" election for the first taxable year in which we are a PFIC to include such U.S. Shareholder's share of our ordinary earnings and net capital gain on a current basis or (ii) a "deemed sale" election in a subsequent year, along with a qualified electing fund election, if we are still classified as a PFIC. A qualified electing fund election remains in effect until revoked by the IRS. You will not be able to make a qualified electing fund election unless we comply with certain applicable information reporting requirements. Should we conclude that we are a PFIC, we will provide U.S. Shareholders with the information necessary to make the qualified electing fund election.

U.S. Shareholders holding "marketable stock" (which we consider our ordinary shares to be) in a PFIC may make an election to "mark-to-market" the ordinary shares annually, rather than be subject to the above-described rules. Under such election, the U.S. Shareholder will include in income each year any excess of the fair market value of the PFIC stock at the close of each taxable year over the U.S. Shareholder's adjusted basis in such stock. The U.S. Shareholder will generally be allowed an ordinary deduction for the excess, if any, of the adjusted basis of the PFIC stock over its fair market value as of the close of the taxable year, or the amount of any net mark-to-market gains recognized for prior taxable years, whichever is less. A U.S. Shareholder's adjusted tax basis in the ordinary shares will generally be adjusted to reflect the amounts included or deducted under the mark-to-market election. Additionally, any amounts included in income pursuant to a mark-to-market election, as well as gain on the actual sale or other disposition of the PFIC stock, are treated as ordinary income. Ordinary loss treatment also applies to any loss recognized on the actual sale or disposition of PFIC stock to the extent that the amount of such loss does not exceed the net mark-to-market gains previously included with respect to such stock. Gain or loss from the disposition of ordinary shares (as to which a "mark-to-market" election was made) in a year in which we are no longer a PFIC will be capital gain or loss. An election to mark-to-market generally will apply to the taxable year in which the election is made and all subsequent taxable years.

If a U.S. Shareholder makes one of these two elections, distributions and gain generally will not be recognized ratably over the U.S. Shareholder's holding period or be subject to an interest charge as described above. Further, the denial of basis step-up at death described above generally will not apply. A U.S. Shareholder making one of these two elections may experience current income recognition, even if no cash is distributed by us.

We will notify U.S. Shareholders in the event that we conclude that we will be treated as a PFIC for any taxable year.

BOTH ELECTIONS ARE SUBJECT TO A NUMBER OF SPECIFIC RULES AND REQUIREMENTS, AND U.S. SHAREHOLDERS ARE STRONGLY URGED TO CONSULT THEIR TAX ADVISORS CONCERNING THESE ELECTIONS IF WE BECOME A PFIC.

Backup Withholding and Information Reporting

Under certain circumstances, U.S. information reporting and/or backup withholding of U.S. federal income tax (currently at the rate of 28%) on dividends received on, and the proceeds of the dispositions of, the ordinary shares may apply to U.S. Shareholders. A backup withholding tax may apply to such payments if the beneficial owner fails to provide a correct taxpayer identification number to the paying agent and to comply with certain certification procedures or otherwise establish an exemption from backup withholding. Backup withholding tax will be allowed as a refund or credit against the U.S. Shareholder's U.S. federal income tax liability, provided that certain required information is furnished to the IRS. If we become a PFIC, U.S. Shareholders will be subject to additional information reporting requirements.

F. DIVIDEND AND PAYING AGENTS

Not applicable.

G. STATEMENT BY EXPERTS

Not applicable.

H. DOCUMENTS ON DISPLAY

We are subject to certain of the information reporting requirements of the Exchange Act. As a "foreign private issuer," we are exempt from the rules and regulations under the Securities Exchange Act prescribing the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempt from the reporting and "short-swing" profit recovery provisions contained in Section 16 of the Exchange Act, with respect to their purchase and sale of the ordinary shares. In addition, we are not required to file reports and financial statements with the Securities and Exchange Commission as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act. However, we file with the Securities and Exchange Commission an annual report on Form 20-F containing financial statements audited by an independent accounting firm. We also furnish reports on Form 6-K containing unaudited financial information after the end of each of the first three quarters. We post our Annual Report on Form 20-F on our website (www.ezchip.com) promptly following the filing of our Annual Report with the Securities and Exchange Commission. The information on our website is not incorporated by reference into this annual report.

This report and other information filed or to be filed by us can be inspected without charge and copied at prescribed rates at the public reference facilities maintained by the Securities and Exchange Commission at:

100 F Street, NE
Public Reference Room
Washington, D.C. 20549

You may obtain information on the operation of the Securities and Exchange Commission's public reference room in Washington, D.C. by calling the Securities and Exchange Commission at 1-800-SEC-0330. The Exchange Act file number for our Securities and Exchange Commission filings is 000-20860.

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

The documents concerning our company referred to in this annual report may also be inspected at our offices located at 1 Hatamar Street, PO Box 527, Yokneam 20692, Israel.

I. SUBSIDIARY INFORMATION

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

General

Market risks relating to our operations result primarily from currency fluctuations, changes in the market value of our investments and changes in interest rates.

Currency Exchange Rate Risk Management

Our functional currency is the U.S. dollar, and most of our revenue is denominated in U.S. dollars. However, a significant portion of the cost of our operations, mainly personnel costs of our operations in Israel, is incurred in NIS. Therefore, our NIS-related costs, as expressed in U.S. dollars, are influenced by the exchange rate between the U.S. dollar and the NIS. In addition, NIS-linked balance sheet items, mainly employment related, may create foreign exchange gains or losses, based on changes in the exchange rate between the U.S. dollar and the NIS at the beginning and end of the reporting period, consequently affecting our net income and earnings per share.

We attempt to limit our exposure to currency exchange rate risk by using various hedging techniques, including forward and option contracts and through "natural" hedging, i.e., attempting to maintain similar levels of assets and liabilities in NIS, U.S. dollars and other currencies, to the extent commercially feasible. However, we cannot eliminate the effects of currency fluctuations altogether. Exchange rate fluctuations resulting in a devaluation of the U.S. dollar compared to the NIS could have a material adverse impact on our operating results and share price.

We carry out transactions involving foreign currency exchange derivative financial instruments. The transactions are designed to hedge our exposure in NIS against the U.S. dollar. We recognize derivative instruments as either assets or liabilities and measure those instruments at fair value in accordance with FASB ASC 815. If a derivative meets the definition of a cash flow hedge and is so designated, changes in the fair value of the derivative are recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative designated as a hedge is recognized in earnings. If a derivative does not meet the definition of a hedge, the changes in the fair value are included in earnings.

As of December 31, 2010, we had \$4.6 million of outstanding forward contracts. These contracts are for a period of up to 10 months. Our accumulated other comprehensive income as of such date included \$0.2 million unrealized gain on the forward contracts.

Cash Investments, Marketable Securities and Interest Rate Risk Management

Our cash investment policy seeks to preserve principal and maintain adequate liquidity while maximizing the income we receive from our investments without significantly increasing the risk of loss. To minimize investment risk, we maintain a diversified portfolio across various maturities, types of investments and issuers, which may include, from time to time, money market funds, U.S. government bonds, state debt, bank deposits and certificates of deposit, and investment grade corporate debt. Our cash management policy does not allow us to purchase or hold derivative or commodity instruments, structures or "sub-prime" related holdings (such as auction rate securities and collateralized debt obligation) or other financial instruments for trading purposes.

As of December 31, 2010, we had \$32.0 million in cash and cash equivalents, \$33.0 million in short term deposits and \$36.3 million in marketable securities. As of such date our marketable securities portfolio was composed of investment grade corporate bonds bearing average annual interest rates of approximately 2.2%, with average maturities of 19 months (maximum maturities of 3 years).

The performance of the capital markets affects the values of the funds we hold in marketable securities. These assets are subject to market fluctuations, such as the declines experienced in 2008 and the first six months of 2009. In such case, the fair value of our investments may decline. As of December 31, 2010, net unrealized gain in our marketable securities portfolio totaled \$0.3 million. We periodically monitor our investments for adverse material holdings related to the underlying financial solvency of the issuers of the marketable securities in our portfolio.

Our exposure to market risk for changes in interest rates relates primarily to our investment in marketable securities. Investments in both fixed rate and floating rate interest bearing securities carry a degree of interest rate risk. The fair market value of fixed rate securities may be adversely impacted due to a rise in interest rates, while floating rate securities may produce less income than predicted if interest rates fall. Due in part to these factors, our future financial results may be negatively affected in the event that interest rates fluctuate.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None

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

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

Management's Annual Report on Internal Control over Financial Reporting

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

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

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

Our management assessed the effectiveness of our internal control over financial reporting, as of December 31, 2010. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Based on that assessment, our management concluded that as of December 31, 2010, our internal control over financial reporting is effective.

Our independent auditors, Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, have issued an audit report on the effectiveness of our internal control over financial reporting. The report is included in page F-3 of this Annual Report on Form 20-F.

Changes in Internal Control over Financial Reporting

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

ITEM 16. [RESERVED]

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our Board of Directors has determined that Karen Sarid meets the definition of an audit committee financial expert, as defined by rules of the Securities and Exchange Commission.

ITEM 16B. CODE OF ETHICS

We have adopted a code of ethics that applies to our principal executive officer and all senior financial officers of our company, including the chief financial officer, chief accounting officer or controllers, or persons performing similar functions. We undertake to provide without charge, upon request, written copies of the code of ethics. Requests should be addressed to EZchip Semiconductor Ltd., 1 Hatamar Street, P.O. Box 527, Yokneam 20692, Israel, Attention: Investor Relations. If we make any substantive amendment to the code of ethics or grant any waivers, including any implicit waiver, from a provision of the codes of ethics, we will disclose the nature of such amendment or waiver on our website. The code of ethics has been posted on our website at: http://www.ezchip.com/Images/pdf/EZchip_Code_of_Business_Conduct_and_Ethics.pdf.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES**Independent Registered Public Accountant Firm Fees**

The following table sets forth the fees billed by our independent registered public accountant firm for professional services rendered during each of the years indicated. All of such fees were pre-approved by our Audit Committee.

Services Rendered	Year ended December 31,	
	2009	2010
Audit fees (1)	\$ 160,000	\$ 250,000
Audit-related fees (2)	150,000	--
Tax fees (3)	10,000	20,000
Total	\$ 320,000	\$ 270,000

- (1) Audit fees are for audit services for each of the years shown in the table, including fees associated with the annual audit (including audit of our internal control over financial reporting) and reviews of our quarterly financial results submitted to the Securities and Exchange Commission on Form 6-K, consultations on various accounting issues and audit services provided in connection with other statutory or regulatory filings.
- (2) Audit-related fees in 2009 relate to services provided in connection with our 2009 public offering.
- (3) Tax fees for each of the years shown in the table relate to tax consulting with respect to our Privileged Enterprises, tax compliance, tax planning and tax advice for actual transactions.

Pre-Approval Policies and Procedures

Our audit committee has adopted a policy and procedures for the pre-approval of audit and non-audit services rendered by our independent public accountants, Kost, Forer, Gabbay & Kasierer. Pre-approval of an audit or non-audit service may be given as a general pre-approval, as part of the audit committee's approval of the scope of the engagement of our independent auditor, or on an individual basis. Any proposed services exceeding general pre-approved levels also require specific pre-approval by our audit committee. The policy prohibits retention of the independent public accountants to perform the prohibited non-audit functions defined in Section 201 of the Sarbanes-Oxley Act or the rules of the Securities and Exchange Commission, and also requires the audit committee to consider whether proposed services are compatible with the independence of the public accountants.

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

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

There were no ordinary shares of EZchip Semiconductor purchased by us or on our behalf or by any affiliated purchaser during 2010.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

None.

ITEM 16G. CORPORATE GOVERNANCE

Under NASDAQ Listing Rule 5615(a)(3), foreign private issuers, such as our company, are permitted to follow certain home country corporate governance practices instead of certain provisions of the NASDAQ Listing Rules. A foreign private issuer that elects to follow a home country practice instead of any of such provisions of the NASDAQ Listing Rules, must submit to NASDAQ, in advance, a written statement from an independent counsel in such issuer's home country certifying that the issuer's practices are not prohibited by the home country's laws.

On July 27, 2005 and November 12, 2009, we provided NASDAQ with a notice of non-compliance with certain NASDAQ Listing Rule requirements. In practice, we do not comply with the following requirements, and instead follow Israeli law and practice with respect to such corporate governance practices:

- NASDAQ rules regarding the directors nominations process, which require that director nominees be selected, or recommended for the board of directors, either by (a) a majority of independent directors or (b) a nominations committee comprised solely of independent directors. Under Israeli law and practice our directors are recommended by our board of directors for election by our shareholders.
- NASDAQ rules regarding compensation of executive officers, which require that the compensation of the chief executive officer and all other executive officers be determined, or recommended to the board of directors for determination, either by (i) a majority of the independent directors or (ii) a compensation committee comprised solely of independent directors. Under the Israeli Companies Law, arrangements as to compensation of office holders who are not directors require approval by the board of directors, provided that they are not deemed extraordinary transactions, unless otherwise provided in the articles of association. Our articles of association do not provide otherwise. Any compensation arrangement with an office holder who is not a director that is deemed an extraordinary transaction, the exemption of such office holder from liability, the insurance of such office holder and the indemnification of such office holder, or an undertaking to indemnify such office holder, require both audit committee and board of directors approval. The compensation, exemption, indemnification and insurance of office holders who are directors must be approved by our audit committee, board of directors and shareholders. If the office holder is a controlling shareholder or a relative of a controlling shareholder, any extraordinary transaction, compensation, exemption, indemnification and insurance of the office holder must be approved by our audit committee, board of directors and shareholders, supported by the vote of at least one-third of the shares of the shareholders that have no personal interest in the transaction voting on the matter, or provided that the total number of shares held by shareholders that have no personal interest in the transaction that voted against the proposal did not exceed one percent of all of the voting rights in the company.
- NASDAQ rules requiring that we obtain shareholder approval for certain dilutive events, such as for the establishment or amendment of certain equity based compensation plans and arrangements, an issuance that will result in a change of control of the company, certain transactions other than a public offering involving issuances of a 20% or more interest in the company and certain acquisitions of the stock or assets of another company. Under Israeli law and practice, in general, the approval of the board of directors is required for the establishment or amendment of equity based compensation plans and arrangements, unless the arrangement is for the benefit of a director, or a controlling shareholder, in which case audit committee and shareholder approval are also required. Similarly, the approval of the board of directors is generally sufficient for a private placement unless the private placement involves a director, a controlling shareholder or is deemed a "significant private placement," in which case shareholder approval, and, in some cases, audit committee approval, would also be required. The Israeli Companies Law defines a "significant private placement" as a private placement (i) resulting in a party becoming a controlling shareholder, or (ii) involving the issuance of a 20% or more voting rights in the company, which (A) results in a 5% or more shareholder increasing its interest in the company or an offeree becoming a 5% or more shareholder, and (B) involves consideration that is not solely cash or public traded securities, or is not on fair market terms.

PART III

ITEM 17. FINANCIAL STATEMENTS

Not applicable.

ITEM 18. FINANCIAL STATEMENTS

See pages F-1 to F-46 of this annual report.

ITEM 19. EXHIBITS

Exhibit No.	Description of Exhibit
1.1	Memorandum of Association of the Registrant (1)
1.2	Amended and Restated Articles of Association of the Registrant (2)
1.3	Certificate of Name Change of the Registrant (translated from Hebrew)(3)
4.1	EZchip Semiconductor Ltd. 2003 Amended and Restated Equity Incentive Plan (4)
4.2	EZchip Semiconductor Ltd. 2007 U.S. Equity Incentive Plan (5)
4.3	EZchip Semiconductor Ltd. 2009 Israel Equity Plan (6)
4.4	Agreement for Purchase and Sale of Goods dated January 1, 2007, by and between Juniper Networks, Inc. and EZchip Technologies Ltd.(7)*
4.5	Master ASIC Services Agreement dated April 29, 2004, by and between eSilicon Corporation and EZchip Technologies Ltd.(8)*
4.6	Technology, Development, License and Manufacturing Agreement dated April 12, 2006 among Marvell International Ltd., Marvell Semiconductor Israel Ltd., and EZchip Technologies Ltd.*
4.7	Amendment No.1 to Technology Development, License and Manufacturing Agreement, dated September, 2006 by and between Marvell International Ltd. Marvell Semiconductor Israel Ltd., and EZchip Technologies Ltd.*
4.8	Amendment No.2 to Technology Development, License and Manufacturing Agreement, dated September 24, 2009 by and between Marvell International Ltd., Marvell Israel (M.I.S.L.) Ltd., and EZchip Technologies Ltd.*
4.9	Business Term Agreement dated November 15, 2006 among Cisco Systems, Inc, Marvell International Ltd., Marvell Semiconductor Israel Ltd., EZchip Technologies Ltd.*
4.10	Business Term Agreement dated December 7, 2010 among Cisco Systems, Inc, Marvell International Ltd., Marvell Israel Ltd., EZchip Technologies Ltd., and EZchip Inc.*
4.11	Custom Sales Agreement (Agreement No. 00590) dated October 30, 2000 between EZchip Technologies Ltd. and International Business Machines Corporation*
4.12	First Amended and Restated ASIC Attachment No. 2 to Custom Sales Agreement, dated January 29, 2008, by and between International Business Machines Corporation and EZchip Technologies Ltd.*
4.13	Amendment No. 4 to Custom Sales Agreement dated January 29, 2008 between EZchip Technologies Ltd. and International Business Machines Corporation
8.1	List of Significant Subsidiaries
12.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act, as amended
12.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act, as amended
13.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1	Consent of Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global.

* Confidential treatment has been requested for certain deleted portions.

- (1) Filed as Exhibit 3.1 to the Registrant's Registration Statement on Form F-1, registration number 33-52676, and incorporated herein by reference.
- (2) Filed as Exhibit 1.2 to the Registrant's Annual Report on Form 20-F for the year ended December 31, 2007, and incorporated herein by reference.
- (3) Filed as Exhibit 1.3 to the Registrant's Annual Report on Form 20-F for the year ended December 31, 2008, and incorporated herein by reference.
- (4) Filed as Exhibit 4.2 to the Registrant's Annual Report on Form 20-F for the year ended December 31, 2006, and incorporated herein by reference.
- (5) Filed as Exhibit to the Registrant's Form 6-K, dated December 3, 2007, and incorporated herein by reference.
- (6) Filed as Exhibit 4.4 to the Registrant's Registration Statement on Form S-8, filed January 14, 2010, and incorporated herein by reference.
- (7) Filed as Exhibit 4.7 to the Registrant's Annual Report on Form 20-F/A for the year ended December 31, 2007 and incorporated herein by reference.
- (8) Filed as Exhibit 4.8 to the Registrant's Annual Report on Form 20-F/A for the year ended December 31, 2007 and incorporated herein by reference.

EZCHIP SEMICONDUCTOR LTD.
AND ITS SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2010
IN U.S. DOLLARS
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of

EZCHIP SEMICONDUCTOR LTD.

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

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

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

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

Haifa, Israel
March 31, 2011

/s/ Kost Forer Gabbay & Kasierer
KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global



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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of

EZCHIP SEMICONDUCTOR LTD.

We have audited EZchip Semiconductor Ltd ("the Company") and its subsidiaries internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Form 20-F. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

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

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

Haifa, Israel
March 31, 2011

/s/ Kost Forer Gabbay & Kasierer
KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

	Note	December 31,	
		2010	2009
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		\$ 31,985	\$ 34,748
Short-term interest bearing deposits		33,000	3,000
Available-for-sale marketable securities	4	36,325	29,490
Trade receivables (net of allowance for doubtful accounts of \$40 as of December 31, 2010 and 2009)		8,988	6,340
Other accounts receivable and prepaid expenses	7	1,178	6,065
Deferred tax assets, net	15	3,443	6,038
Inventories	8	4,522	1,533
Total current assets		119,441	87,214
NON CURRENT ASSETS:			
Severance pay fund		5,209	4,099
Long term investment and others		335	--
Long term deferred tax assets	15	--	5,571
Total non current assets		5,544	9,670
PROPERTY AND EQUIPMENT, NET	9	419	394
INTANGIBLE ASSETS, NET	10	1,181	3,869
GOODWILL		96,276	96,276
Total assets		\$ 222,861	\$ 197,423

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

CONSOLIDATED BALANCE SHEETS

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

	Note	December 31,	
		2010	2009
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Trade payables		\$ 1,289	\$ 1,963
Other accounts payable and accrued expenses	11	6,569	10,218
Total current liabilities		7,858	12,181
LONG-TERM LIABILITIES:			
Accrued severance pay		5,974	4,779
Total long-term liabilities		5,974	4,779
SHAREHOLDERS' EQUITY:			
Share capital			
Ordinary shares of NIS 0.02 par value			
Authorized: 50,000,000 shares at December 31, 2010 and December 31, 2009, respectively;			
Issued and outstanding: 26,033,876 and 24,314,990 shares at December 31, 2010 and December 31, 2009, respectively.			
		149	140
Additional paid-in capital		271,959	257,078
Accumulated other comprehensive income		540	507
Accumulated deficit		(63,619)	(77,262)
Total shareholders' equity		209,029	180,463
Total liabilities and shareholders' equity		\$ 222,861	\$ 197,423

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

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Year ended December 31,		
	2010	2009	2008
Revenues	\$ 61,998	\$ 40,046	\$ 33,566
Costs of revenues	15,668	11,224	11,983
Amortization of existing technology	1,915	1,985	2,083
Gross profit	44,415	26,837	19,500
Operating expenses:			
Research and development (net of grants and participations in the amount of \$3,198, \$3,049 and \$3,011 for the years ended December 31, 2010, 2009 and 2008, respectively)	13,665	13,243	12,953
In-process research and development charge	--	--	5,125
Selling and marketing	6,266	5,495	4,430
General and administrative	3,735	3,202	3,037
Total operating expenses	23,666	21,940	25,545
Operating income (loss)	20,749	4,897	(6,045)
Financial income, net (see Note 18)	1,130	902	1,408
Income (loss) before taxes	21,879	5,799	(4,637)
Taxes benefit (taxes on income) - (see Note 15)	(8,236)	11,675	--
Net income (loss)	13,643	17,474	(4,637)
Less: Net loss (income) attributable to noncontrolling interest	--	(92)	37
Net income (loss) attributable to EZchip Semiconductor shareholders	\$ 13,643	\$ 17,382	\$ (4,600)
Basic net income (loss) per share attributable to EZchip Semiconductor shareholders	\$ 0.54	\$ 0.74	\$ (0.20)
Diluted net income (loss) per share attributable to EZchip Semiconductor shareholders	\$ 0.52	\$ 0.66	\$ (0.20)
Weighted average number of Ordinary Shares used in computing basic net income (loss) per share	25,281,651	23,376,217	23,048,868
Weighted average number of Ordinary Shares used in computing diluted net income (loss) per share	26,110,132	23,516,260	23,048,868

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

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

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

	EZchip Semiconductor Ltd. Shareholders							
	Number of ordinary shares	Share capital	Additional paid-in capital	Accumulated other comprehensive income (loss)	Accumulated deficit	Non controlling interest	Total comprehensive income (loss)	Total shareholders' equity
Balance as of January 1, 2008	18,312,245	\$ 106	\$ 162,233	\$ (11)	\$ (90,044)	\$ 2,141	\$ --	\$ 74,425
Issuance of shares, net of issuance cost of \$32	5,011,841	28	82,619	--	--	--	--	82,647
Exercise of stock options	1,250	*) --	3	--	--	--	--	3
Vesting of Restricted Share Units	12,000	*) --	*) --	--	--	--	--	*) --
Cashless exercise of warrants	6,668	*) --	*) --	--	--	--	--	*) --
Stock-based compensation	--	--	2,501	--	--	--	--	2,501
Stock-based compensation in EZchip Technologies	--	--	--	--	--	632	--	632
Comprehensive loss:								
Unrealized loss on available-for-sale marketable securities	--	--	--	(671)	--	--	(671)	(671)
Unrealized loss on foreign currency cash flow hedges transactions	--	--	--	(23)	--	--	(23)	(23)
Net loss	--	--	--	--	(4,600)	--	(4,600)	(4,600)
Total comprehensive loss							(5,294)	
Balance as of December 31, 2008	23,344,004	\$ 134	\$ 247,356	\$ (705)	\$ (94,644)	\$ 2,773	\$ --	\$ 154,914
Exercise of stock options	6,313	*) --	87	--	--	--	--	87
Vesting of Restricted Share Units	8,281	*) --	*) --	--	--	--	--	*) --
Exercise of options in EZchip Technologies	--	--	95	--	--	1,549	--	1,644
Stock-based compensation	--	--	4,400	--	--	--	--	4,400
Stock-based compensation in EZchip Technologies						945		945
Purchase of noncontrolling interest in consideration of issuance of Company's equity instruments, net of issuance cost of \$213 (see Note 13)	956,392	6	5,140	--	--	(5,359)	--	(213)
Comprehensive income:								
Unrealized gain on available-for-sale marketable securities	--	--	--	991	--	--	991	991
Unrealized gain on foreign currency cash flow hedges transactions, net	--	--	--	221	--	--	221	221
Net income	--	--	--	--	17,382	92	17,474	17,474
Total comprehensive income							\$ 18,686	
Balance as of December 31, 2009	<u>24,314,990</u>	<u>\$ 140</u>	<u>\$ 257,078</u>	<u>\$ 507</u>	<u>\$ (77,262)</u>	<u>\$ --</u>		<u>\$ 180,463</u>

(*) Less than \$ 1

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

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

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

	EZchip Semiconductor Ltd. Shareholders							Total shareholders' equity
	Number of ordinary shares	Share capital	Additional paid-in capital	Accumulated other comprehensive income	Accumulated deficit	Non controlling interest	Total comprehensive income	
Issuance of shares (see Note 13)	106,893	1	1,071	--	--	--	--	1,072
Exercise of stock options	1,604,915	8	7,980	--	--	--	--	7,988
Vesting of Restricted Share Units	7,078	*) --	*) --	--	--	--	--	*) --
Stock-based compensation	--	--	5,830	--	--	--	--	5,830
Comprehensive income:			--					
Unrealized gain on available-for-sale marketable securities	--	--	--	8	--	--	8	8
Unrealized gain on foreign currency cash flow hedges transactions, net	--	--	--	25	--	--	25	25
Net income	--	--	--	--	13,643	--	13,643	13,643
Total comprehensive income							13,676	
Balance as of December 31, 2010	26,033,876	\$ 149	\$ 271,959	\$ 540	\$ (63,619)	--		\$ 209,029

(*) Less than \$ 1

Accumulated other comprehensive income

	December 31,	
	2010	2009
Accumulated unrealized gain on available-for-sale marketable securities	\$ 317	\$ 309
Accumulated unrealized gain on foreign currency cash flows hedges, net	223	198
Accumulated other comprehensive income	\$ 540	\$ 507

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Year ended December 31,		
	2010	2009	2008
Cash flows from operating activities:			
Net income (loss)	\$ 13,643	\$ 17,474	\$ (4,637)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	2,887	3,074	2,887
In-process research and development charge	--	--	5,125
Accumulated interest accretion and amortization of discount and premium on available-for-sale marketable securities	451	352	(45)
Realized loss (gain) related to sale of available-for-sale marketable securities	(12)	6	27
Increase (decrease) in accrued severance pay, net	85	(253)	301
Stock-based compensation related to options and RSUs granted to employees of the Company and EZchip Technologies	5,830	5,345	3,133
Increase in trade receivables, net	(2,648)	(1,300)	(2,163)
Decrease (increase) in other accounts receivable and prepaid expenses	405	(667)	557
Increase in other long term receivable	(135)	--	--
Decrease (increase) in inventory	(2,989)	2,351	(250)
Decrease (increase) in deferred tax asset	8,162	(11,675)	--
Increase (decrease) in trade payables	(513)	866	634
Increase in other accounts payable and accrued expenses	862	1,510	673
Net cash provided by operating activities	26,028	17,083	6,242
Cash flows from investing activities:			
Investment in available-for-sale marketable securities	(23,671)	(14,354)	(22,697)
Investment in short-term deposits	(37,000)	(3,000)	--
Proceeds from redemption of short-term deposits	7,000	--	--
Proceeds from sale and redemption of available-for-sale marketable securities	16,405	12,723	5,973
Purchase of property and equipment	(385)	(110)	(110)
Cash paid for investment in affiliated Company	(200)	--	--
Net cash used in investing activities	\$ (37,851)	\$ (4,741)	\$ (16,834)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Year ended December 31,		
	2010	2009	2008
Cash flows from financing activities:			
Issuance of shares, net of issuance costs	\$ 1,072	\$ (213)	\$ (32)
Proceeds from exercise of options in the Company	7,988	87	3
Proceeds from exercise of options in EZchip Technologies	--	193	37
Proceeds from exercise of options in EZchip Technologies in connection with Share Purchase transaction	--	1,451	--
Net cash provided by financing activities	9,060	1,518	8
Increase (decrease) in cash and cash equivalents	(2,763)	13,860	(10,584)
Cash and cash equivalents at the beginning of the year	34,748	20,888	31,472
Cash and cash equivalents at the end of the year	\$ 31,985	\$ 34,748	\$ 20,888
a. Non-cash activities:			
1. Purchase of property and equipment in credit	\$ 48	\$ 209	\$ --
2. EZchip Technologies shares acquisition (see Note 3):			
EZchip Technologies' tangible assets acquired by the Company	--	--	24,295
Intangible assets acquired:			
Existing technology	--	--	3,986
Backlog	--	--	97
Customer relationships	--	--	2,433
Goodwill	--	--	46,743
In-process research and development	--	--	5,125
Value of EZchip Technologies' shares acquired	\$ --	\$ --	\$ 82,679
3. Purchase of noncontrolling interest in consideration of issuance of the Company's equity instruments, net of issuance cost of \$213 (see also Note 3)	\$ --	\$ 5,359	\$ --

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 1:- GENERAL

- a. EZchip Semiconductor Ltd. (the "Company") was incorporated as a limited liability company under the laws of the State of Israel in 1989.

On July 22, 2008, the Company changed its name from LanOptics Ltd. to EZchip Semiconductor Ltd. The Company is a fabless semiconductor company that develops and markets Ethernet network processors for networking equipment.

EZchip Technologies Ltd. ("EZchip Technologies") was established in December 1999 as a wholly-owned subsidiary of the Company. Over the years, EZchip Technologies raised funds from third party investors and the Company, thereby diluting the Company's ownership of EZchip Technologies. However, following a series of share acquisition transactions, as detailed in Note 3, as of December 31, 2010, the Company holds 100% of EZchip Technologies' outstanding shares and voting rights. During 2001, EZchip Technologies established a wholly-owned subsidiary, EZchip Inc., in the United States, which is engaged in the marketing of EZchip Technologies' products.

- b. The Company's Ordinary Shares were listed on the NASDAQ Global Market under the symbol "LNOP" from its initial public offering in November 1992 until April 14, 2003, at which date the listing of its Ordinary Shares was transferred to the NASDAQ Capital Market. From January 4, 2008 through December 31, 2010, the Company's Ordinary Shares were listed on the NASDAQ Global Market, and since January 1, 2011, the Company's Ordinary Shares have been listed on the NASDAQ Global Select Market. On January 17, 2008, the Company's NASDAQ ticker symbol changed to "EZCH." Since April 1, 2002, the Company's Ordinary Shares have also been listed for trading on the Tel Aviv Stock Exchange.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements were prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP").

- a. Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The most significant assumptions are employed in estimates used in determining values of intangible assets, tax assets and tax liabilities, stock-based compensation costs, financial instruments with no observable market quotes. Actual results may differ from those estimates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

b. Financial statements in U.S. dollars:

The currency of the primary economic environment in which the operations of the Company and its subsidiaries are conducted is the U.S. dollar. Most of the revenues are denominated and earned in U.S. dollars, and most purchases of materials and components are made in U.S. dollars. Financing and investing activities, including equity transactions and cash investments, are made in U.S. dollars and most of the Company's assets are denominated in U.S. dollars. Accordingly, the functional and reporting currency of the Company and its subsidiaries is the U.S. dollar.

Monetary accounts maintained in currencies other than the U.S. dollar are remeasured into U.S. dollars in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 830 "Foreign currency matters." All transaction gains and losses of the remeasured monetary balance sheet items are reflected in the statement of operations as financial income or expenses, as appropriate.

c. Basis of consolidation:

The consolidated financial statements include the accounts of the Company and its subsidiaries. Intercompany balances and transactions have been eliminated upon consolidation.

d. Cash equivalents:

The Company considers all highly liquid investments that are convertible to cash with original maturities of three months or less as cash equivalents.

e. Short-term interest bearing deposits

The Company considers all highly liquid investments that are convertible to cash with original maturities of more than three months and less than one year as short-term deposits. As of December 31, 2010 and 2009, the Company held short-term interest bearing deposits in the amount of \$33,000 and \$3,000, respectively, with a weighted average interest of 1.6%.

f. Marketable securities:

The Company accounts for its investments in marketable securities in accordance with FASB ASC 320 "Investments - Debt and Equity Securities." The Company determines the classification of marketable securities at the time of purchase and reevaluates such designations as of each balance sheet date. The Company classifies all of its marketable securities as available-for-sale. Available-for-sale marketable securities are carried at fair value, with the unrealized gain and loss reported as a separate component of shareholders' equity, accumulated other comprehensive income (loss). Realized gain and loss on sales of available-for-sale marketable securities are included in the Company's statements of operations and are derived using the specific identification basis for determining the cost of the available-for-sale marketable securities. The amortized cost of the available-for-sale marketable securities is adjusted for amortization of premiums and accretion of discount to maturity. Such amortization and accretion, together with interest on available-for-sale marketable securities, are included in the financial income, net.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

f. Marketable securities (cont.):

The Company recognizes an impairment charge when a decline in the fair value of its available-for-sale marketable securities below the cost basis is judged to be other-than-temporary. The Company considers various factors in determining whether to recognize an impairment charge, including the length of time the investment has been in a loss position, the extent to which the fair value has been less than the Company's cost basis, the investment's financial condition and the near-term prospects of the issuer. The Company adopted FASB ASC 320-10-65 effective January 1, 2009, which requires an other-than-temporary impairment for debt securities to be separated into (a) the amount representing the credit loss and (b) the amount related to all other factors (provided that the Company does not intend to sell the security and it is not more likely than not that it will be required to sell it before recovery). The Company classifies its marketable securities as available-for-sale and marks them to market with changes to other comprehensive income until realization or occurrence of other than temporary impairment loss.

g. Inventories:

Inventories are stated at the lower of cost or market value. The Company writes down the carrying value of its inventory for estimated obsolescence or unmarketable inventory in an amount equal to the difference between the cost of inventory and its estimated realizable value based upon assumptions about future demands and market conditions. During the years ended December 31, 2010, 2009 and 2008, the Company's write downs were immaterial.

Cost is determined as follows:

Raw materials – using the weighted average cost method.

Work in progress and finished products – using the weighted average cost method and calculated manufacturing costs.

h. Property and equipment:

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

The annual depreciation rates are as follows:

	Percentage (%)
Office furniture and equipment	6
Computers, software and electronic equipment	33
Leasehold improvements	Shorter of the term of the lease or useful life

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

i. Impairment of long-lived assets:

The Company's long-lived assets and certain identifiable intangibles are reviewed for impairment in accordance with FASB ASC 360-10-35 "Property, Plant and Equipment - Subsequent Measurement," whenever events or changes in circumstances indicate that the carrying amount of an asset (or an asset group) may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. During the years 2010, 2009 and 2008, no impairment losses were identified.

j. Investment in affiliated company:

On July 4, 2010, the Company entered into a purchase agreement with a private company and invested approximately \$200, in consideration for approximately 4% of the private company's share capital. The investment is stated at cost.

The Company's investment in the affiliated company is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an investment may not be recoverable, in accordance with ASC 323-10-35. As of December 31, 2010, no impairment losses have been identified.

The above mentioned investment is reflected as in the "Long term investment and others" line item in the balance sheet as of December 31, 2010.

k. Goodwill impairment:

Goodwill reflects the excess of the purchase price of an acquired business over the fair value of net assets acquired.

The Company adopted FASB ASC 350 "Intangibles – Goodwill and other." Under FASB ASC 350, goodwill is not amortized but instead is tested for impairment at least annually (or more frequently if impairment indicators arise) at the reporting unit level. The Company operates in one operating segment and such segment comprises its only reporting unit. The Company determined December 31 as the date of its annual impairment test.

FASB ASC 350 prescribes a two-phase process for impairment testing of goodwill. The first phase screens for impairment, while the second phase (if necessary) measures impairment. In the first phase the fair value of the reporting unit is compared with its carrying value. Goodwill impairment is deemed to exist if the net book value of a reporting unit exceeds its estimated fair value. In such case, the second phase is then performed, and the Company measures impairment by comparing the carrying amount of the reporting unit's goodwill to the implied fair value of that goodwill. An impairment loss is recognized in an amount equal to the excess. During the years 2010, 2009 and 2008, no impairment losses were found.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

k. Goodwill impairment (cont.):

As required by FASB ASC 820, "Fair Value Measurements and disclosures," the Company applies assumptions that market place participants would consider in determining the fair value of each reporting unit

l. Identifiable intangible assets:

Intangible assets consist of purchased technologies, customer relationships and backlog and are amortized over their useful lives, which is up to five years, using a method of amortization that reflects the pattern in which the economic benefits of the intangible assets are consumed or otherwise used up, in accordance with FASB ASC 350. The weighted average remaining amortization period as of December 31, 2010 is approximately 1.2 years. (See also Note 10.)

m. Research and development costs:

Research and development costs net of participation and grants from the Office of the Chief Scientist of the Ministry of Industry, Trade and Labor of Israel (the "OCS") are charged to expenses as incurred.

n. Severance pay:

Until December 31, 2009, the Company's liability for severance pay for its Israeli employees was calculated pursuant to Israel's Severance Pay Law, 5723-1963 (the "Severance Law") based on the most recent monthly salary of its employees multiplied by the number of years of employment as of the balance sheet date for such employees. The Company's liability for severance pay was partly provided by monthly deposits of severance pay funds and insurance policies and the remainder by an accrual. The value of these policies is recorded as an asset in the Company's balance sheet. The deposited funds may be withdrawn only upon the employee being entitled to severance pay pursuant to the Severance Law or labor agreements. The value of the deposited funds is based on the cash surrendered value of these policies.

According to Section 14 to the Severance Law, the payment of monthly deposits by a company into recognized severance and pension funds or insurance policies releases it from any additional severance obligation to the employees that have entered into agreements with such company pursuant to such Section 14. Commencing July 2010, the Company entered into agreements with new employees who joined the Company in order to implement such Section 14. Therefore, the payment of monthly deposits by the Company into recognized severance and pension funds or insurance policies with respect to the Israeli employees that joined the Company since July 2010 releases the Company from any additional severance obligation to those employees and therefore, since that date the Company does not incur additional liability with respect to such employees.

The Company's balance sheet as of December 31, 2010 does not include a liability or funds in connection with severance for Israeli employees who agreed to the terms of Section 14.

Severance expenses for the years ended December 31, 2010, 2009 and 2008 were \$608, \$227 and \$800, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

o. Income taxes:

The Company and its subsidiaries account for income taxes in accordance with FASB ASC 740, "Income Taxes." ASC 740 prescribes the use of the liability method whereby deferred tax assets and liability account balances are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company and its subsidiaries provide a partial valuation allowance to reduce deferred tax assets to their estimated realizable value.

On January 1, 2007, the Company adopted an amendment to FASB ASC 740. The amendment contains a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of available evidence indicates that it is more likely than not that, on an evaluation of the technical merits, the tax position will be sustained on audit, including resolution of any related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement.

The Company recognizes interest and penalties, if any, related to unrecognized tax benefits in its provision for income tax.

p. Net income (loss) per share:

Basic net income (loss) per share is computed based on the weighted average number of Ordinary Shares outstanding during each year. Diluted net income (loss) per share is computed based on the weighted average number of Ordinary Shares outstanding during each year, plus dilutive potential Ordinary Shares considered outstanding during the year, in accordance with FASB ASC 260 "Earnings Per Share."

q. Accounting for stock-based compensation:

The Company measures and recognizes the compensation expense for all equity-based payments to employees and directors based on its estimated fair value in accordance with FASB ASC 718 "Compensation-Stock Compensation."

FASB ASC 718 requires companies to estimate the fair value of equity-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as an expense over the requisite service period in the Company's consolidated statement of operations.

The Company recognizes compensation expenses based on the straight line method over the requisite service period of each of the awards, net of estimated forfeitures. FASB ASC 718 requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Estimated forfeitures are based on actual historical pre-vesting forfeitures and Company's expected pre-vesting forfeitures in future periods.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

q. Accounting for stock-based compensation (cont.):

The Company measures the fair value of its options using the Black-Scholes-Merton option pricing model. The option-pricing model requires a number of assumptions, of which the most significant are the expected stock price volatility and the expected option term. Expected volatility was calculated based upon actual historical stock price movements over an historical term that is equivalent to the options expected term. The expected term of options granted in prior years was calculated using the simplified method (being the average between the vesting periods and the contractual life of the options in accordance with SAB 107, as replaced and amended, effective January 1, 2008, by SAB 110). The risk-free interest rate is based on the U.S. Treasury yield curve of bonds with an equivalent term to the expected life of the options. The Company has historically not paid dividends and has no intention to pay dividends in the foreseeable future.

r. Revenue recognition:

The Company generates its revenues mainly from sales of network processors chips and to a lesser extent from the sales of network-processor based systems, software tools and maintenance and support services.

Revenues from network processors chips and network-processor based systems are recognized upon delivery in accordance with SAB 104 "Revenue Recognition," when persuasive evidence of an agreement exists, delivery of the product has occurred, the fee is fixed or determinable and collectability is probable. The Company does not have any significant obligations after delivery. The Company does not grant a right of return to its customers. In addition if a transaction sale does not meet all the criteria, the revenue is deferred until all criteria are met.

Revenues from sales of software tools and maintenance and support services that are sold separately from other products are recognized in accordance with FASB ASC 985-605 "Software." The Company uses the "residual method" when vendor specific objective evidence ("VSOE") of fair value only exists for the maintenance.

In certain instances, the Company sells network-processor based systems together with software tools and maintenance and support services. In those cases the Company complies with the requirements set forth in FASB ASC 605-25 "Revenue Recognition" relating to the separation of multiple deliverables into individual accounting units with determinable fair values.

Deferred revenues include unearned amounts received from maintenance and support services and amounts received from customers but not yet recognized as revenues.

During 2006 and 2010, the Company signed agreements with Marvell Technology Group Ltd. ("Marvell"). According to the agreements, Marvell will manufacture and sell a customized version of the Company's NP-3 and NP-4 network processors to Cisco Systems, Inc. ("Cisco") and will pay the Company royalties for each chip it sells to Cisco.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

r. Revenue recognition (cont.):

Royalty revenue is recorded in accordance with FASB ASC 605-45-45, "Considerations of Reporting Revenue Gross as a Principal versus Net as an Agent," on a net basis. In accordance with the Company's agreements with Marvell, Marvell sends the Company royalty reports, once a month, which reflect prior month's sales. Accordingly, the Company recognizes royalty revenues in the month that follows the month in which the sales are made by Marvell. (See also Note 16c.)

s. Advertising expenses:

Advertising expenses are charged to the statement of operations, as incurred. Advertising expenses for the years ended December 31, 2010, 2009 and 2008 amounted to \$26, \$113 and \$92, respectively.

t. Concentrations of credit risk:

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, short term deposits, investments in available-for-sale marketable securities, foreign exchange contracts and trade receivables.

The Company's cash and cash equivalents and short-term deposits are invested with major banks mainly in Israel and the United States. The Company invests only in highly rated financial instruments and maintains its cash equivalents, with fixed and floating interest rate income. Deposits in the United States may be in excess of insured limits and are not insured in other jurisdictions. Management believes that the financial institutions that hold the Company's investments have a high credit rating.

The Company's available-for-sale marketable securities include investments in highly rated marketable securities of U.S. and European corporations. Those investments are traded in the U.S. secondary market.

The Company's trade receivables are derived primarily from sales to customers and located mainly in North America, the Far East, Europe and Israel. The Company performs ongoing credit evaluations of its customers and has not experienced in recent years any unexpected material losses. An allowance for doubtful accounts is determined with respect to specific amounts that the Company has determined to be doubtful of collection.

The Company has entered into foreign exchange forward contracts intended to protect against the changes in value of forecasted non-dollar currency cash flows related to employees salaries. These derivative instruments are designed to effectively hedge the Company's non-dollar currency exposure. (See also Note 6.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

u. Fair value of financial instruments:

The carrying amounts of the Company's financial instruments, including cash and cash equivalents, available-for-sale marketable securities, short-term deposits, trade receivable, trade payable and other accounts payable and accrued liabilities, approximate fair value because of their generally short term maturities.

The Company accounts for certain assets and liabilities at fair value under FASB ASC 820, "Fair Value Measurements and Disclosures." Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability. As a basis for considering such assumptions, FASB ASC 820 establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets;

Level 2 - Includes other inputs that are directly or indirectly observable in the marketplace, other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets with insufficient volume or infrequent transactions, or other inputs that are observable (model-derived valuations in which significant inputs are observable), or can be derived principally from or corroborated by observable market data; and

Level 3 - Unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The Company categorized each of its fair value measurements in one of these three levels of hierarchy.

The Company measures its debt securities and foreign currency derivative instruments at fair value. Government bonds, corporate bonds and foreign currency forward contracts are classified within Level 2 as the valuation inputs are based on quoted prices and market observable data of similar instruments (See also Note 6.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

v. Royalty-bearing grants:

Royalty-bearing grants from the OCS for funding approved research and development projects are recognized at the time EZchip Technologies is entitled to such grants, on the basis of the costs incurred and included as a reduction of research and development costs.

EZchip Technologies is obligated to pay royalties to the OCS calculated at the rate of 3%-4.5% of sales of the products developed with the OCS's participation up to 100% of the grants received linked to the U.S. dollar bearing annual interest at a rate of LIBOR. The obligation to pay these royalties is contingent on actual sales of the products, and in the absence of such sales payment of royalties is not required.

Since the payment of royalties is not probable when the grants are received, EZchip Technologies' records a liability in the amount of the royalties for each individual contract when the related revenues are recognized, with a corresponding charge to cost of sales. In the case of failure of a project that was partly financed by the OCS, EZchip Technologies will not be obligated to pay any such royalties.

w. Comprehensive income (loss):

The Company accounts for comprehensive income (loss) in accordance with FASB ASC 220 "Comprehensive Income." This statement establishes standards for the reporting and display of comprehensive income (loss) and its components in a full set of general purpose financial statements. Comprehensive income (loss) includes all changes in equity during a period related to the Company. The Company determined that its items of other comprehensive income (loss) relates to unrealized gain)loss(on available-for-sale marketable securities, and unrealized gain (loss) on foreign currency cash flow hedge.

x. Derivatives and hedging:

The Company enters into forward exchange contracts in order to limit its exposure to exchange rate fluctuation associated with payroll expenses mainly incurred in New Israeli Shekels ("NIS"). (See also Note 5.)

The Company accounts for derivatives and hedging in accordance with FASB ASC 815, "Derivatives and Hedging". FASB ASC 815 requires the Company to recognize all derivatives on the balance sheet at fair value. If the derivative meets the definition of a cash flow hedge and is so designated, changes in the fair value of derivatives will be recognized in other comprehensive income (loss) until the hedged item is recognized in statements of operations. The ineffective portion of a derivative's change in fair value is recognized in statements of operations in finance expense.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

y. Impact of recently issued accounting updates:

In December 2010, the FASB's Emerging Issues Task Force ("EITF") issued Accounting Standards Update ("ASU") 2010-28, When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts codified in ASC 350, "Intangibles - Goodwill and Other". Under ASC 350, testing for goodwill impairment is a two-step test, in which Step 1 compares the fair value of the reporting unit to its carrying amount. If the fair value of the reporting unit is less than its carrying value, Step 2 is completed to measure the amount of impairment, if any. This ASU modifies Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 if it appears more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an entity would consider whether there are any adverse qualitative factors indicating that an impairment may exist (e.g., a significant adverse change in the business climate). The amendments in ASU 2010-28 are effective for fiscal years and interim periods within those years beginning after December 15, 2010. Early adoption is not permitted for public entities. The Company's adoption of ASU 2010-28 is not expected to have an impact on the Company's consolidated financial statements.

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

The amendments in ASU 2010-29 are effective for fiscal years and interim periods within those years beginning after December 15, 2010. Early adoption is not permitted for public entities. The Company's adoption of ASU 2010-29 is not expected to have an impact on the Company's consolidated financial statements.

In April 2010, the FASB issued Accounting Standards Update, or ASU, No. 2010-17, Topic 605 — Revenue Recognition – Milestone Method ("ASU 2010-17"), which provides guidance on defining a milestone and determining when it may be appropriate to apply the milestone method of revenue recognition for research or development transactions. The amendments in ASU 2010-17 are effective on a prospective basis for milestones achieved in fiscal years, and interim periods within those years, beginning on or after June 15, 2010. Early adoption is permitted; however, if a company elects to early adopt, the amendment must be applied retrospectively from the beginning of the year of adoption. The Company's adoption of ASU 2010-17 is not expected to have an impact on the Company's consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

y. Impact of recently issued accounting updates (cont.):

In April 2010, the FASB issued ASU No. 2010-13, Topic 718 — Effect of Denominating the Exercise Price of a Share-Based Payment Award in the Currency of the Market in which the Underlying Equity Security Trades (“ASU 2010-13”), which provides guidance on the classification of a share-based payment award as either equity or a liability. A share-based payment award that contains a condition that is not a market, performance or service condition is required to be classified as a liability. The amendments in ASU 2010-13 are effective for fiscal years, and interim periods within those years, beginning on or after December 15, 2010. The Company’s adoption of ASU 2010-13 is not expected to have an impact on the Company’s consolidated financial statements.

In January 2010, the FASB issued ASU No. 2010-06, Topic 820 — Improving Disclosures about Fair Value Measurements (“ASU 2010-06”), which provides additional fair value measurement disclosures and clarifies certain existing disclosure requirements. Except for the requirement to disclose purchases, sales, issuances and settlements of Level 3 measurements on a gross basis, the disclosure and clarification requirements are effective for interim and annual reporting periods beginning after December 15, 2009. The requirement to separately disclose purchases, sales, issuances and settlements of recurring Level 3 measurements on a gross basis is effective for fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years. ASU 2010-06 relates to disclosure requirements only and as such does not impact the Company’s consolidated financial statements.

In September 2009, the FASB reached a consensus on ASU 2009-13, Revenue Recognition (Topic 605) — Multiple-Deliverable Revenue Arrangements (“ASU 2009-13”) and ASU 2009-14, Software (Topic 985) — Certain Revenue Arrangements That Include Software Elements (“ASU 2009-14”). ASU 2009-13 modifies the requirements that must be met for an entity to recognize revenue from the sale of a delivered item that is part of a multiple-element arrangement when other items have not yet been delivered. ASU 2009-13 establishes a selling price hierarchy that allows for the use of an estimated selling price to determine the allocation of arrangement consideration to a deliverable in a multiple element arrangement where neither VSOE nor third-party evidence, or TPE, is available for that deliverable. In the absence of VSOE or TPE of the standalone selling price for one or more delivered or undelivered elements in a multiple-element arrangement, entities are required to estimate the selling prices of those elements. Overall arrangement consideration is allocated to each element (both delivered and undelivered items) based on their relative selling prices, regardless of whether those selling prices are evidenced by VSOE or TPE or are based on the entity’s estimated selling price. The residual method of allocating arrangement consideration has been eliminated.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (CONT.)

- y. Impact of recently issued accounting updates (cont.):

The amendments in ASU 2009-13 and ASU 2009-14 are effective for fiscal years, and interim periods within those years, beginning of their first fiscal year beginning on or after June 15, 2010. Entities may elect to adopt this amendment through either prospective application for revenue arrangements entered into, or materially modified, after the effective date or through retrospective application to all revenue arrangements for all periods presented. ASU 2009-14 modifies the software revenue recognition guidance to exclude from its scope tangible products that contain both software and non-software components that function together to deliver a product's essential functionality. However, an entity must select the same transition method and same period for the adoption of both ASU 2009-13 and ASU 2009-14.

The Company adopted ASU 2009-13 and ASU 2009-14 as of January 1, 2011. The Company's adoption of ASU 2009-13 and ASU 2009-14 is not expected to have a material impact on the Company's consolidated financial statements.

NOTE 3:- INVESTMENT IN EZCHIP TECHNOLOGIES

As of December 31, 2010, the Company owns 100% of the issued and outstanding ordinary shares and preferred shares of EZchip Technologies Ltd.

EZchip Technologies was established in December 1999 as a wholly-owned subsidiary of the Company. From 2000 through 2006, EZchip Technologies raised funds from third party investors and the Company, thereby diluting the Company's ownership of EZchip Technologies.

Commencing in 2003 and ending on December 22, 2009, the Company entered into a series of exchange and acquisition transactions with EZchip Technologies' noncontrolling interest holders in order to increase the Company's ownership interest in EZchip Technologies. Pursuant to these transactions (as described below), the Company (i) issued to EZchip Technologies' noncontrolling interest holders Ordinary Shares of the Company and options to purchase Ordinary Shares of the Company in exchange for such noncontrolling interest shares and options in EZchip Technologies, and (ii) acquired such noncontrolling interest holders shares in EZchip Technologies (including shares resulting from the exercise of options).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 3- INVESTMENT IN EZCHIP TECHNOLOGIES (CONT.)

Following are the transactions with the noncontrolling interest holders in EZchip Technologies since January 1, 2008:

- a. On January 22, 2008, the Company acquired 4,588,655 Preferred B Shares and 12,555,993 Redeemable Preferred C Shares of EZchip Technologies, in consideration of the issuance of 5,011,841 Ordinary Shares of the Company. The acquired shares represented all the remaining preferred shares held by the noncontrolling shareholders of EZchip Technologies. The total fair value of the Company's Ordinary Shares issued in the acquisition was \$82,679 based on the average share prices of the Company's Ordinary Shares two days before and two days after the announcement of the transaction.

As the accounting guidance in FASB ASC 810, "Consolidation" applies prospectively, acquisitions occurring prior to January 1, 2009 were accounted for according to the purchase method of accounting in accordance with prior GAAP, mainly FAS No. 141, "Business Combinations" and EITF 99-12 "Determination of the date for the market price of acquired securities issued in business combinations." Accordingly, the respective purchase prices were allocated to the assets acquired and liabilities assumed based upon their estimated fair values on the respective dates of acquisition as follows:

Purchase price allocation	January 22, 2008
EZchip Technologies' tangible assets acquired:	\$ 24,295
Intangible assets acquired:	
In-process research and development (1)	5,125
Existing technology (2)	3,986
Backlog (3)	97
Customer relationships (4)	2,433
Goodwill (5)	46,743
Total consideration	<u>\$ 82,679</u>

- (1) The Company recorded an in-process research and development charge for projects which, as of the applicable transaction date, had not yet reached technological feasibility and which had no alternative future use.
- (2) Existing technology is amortized using the straight-line method over its useful life, which is up to four years.
- (3) Backlog is amortized according to a shipment schedule.
- (4) Customer relationships are amortized over their useful life, which is up to five years.
- (5) Goodwill represents the excess of the purchase price over the fair value of the net assets acquired. Goodwill is not amortized and is tested for impairment at least annually.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 3- INVESTMENT IN EZCHIP TECHNOLOGIES (CONT.)

- b. In November and December 2009, the Company offered current and former employees of EZchip Technologies (the "Employee Exchange Offer") to exchange their ordinary shares and options to purchase ordinary shares of EZchip Technologies for Ordinary Shares and options to purchase Ordinary Shares of the Company and for cash (all the cash used in the Employees Exchange Offer represents proceeds the Company received from the December 2009 public offering). At such time those current and former employees of EZchip Technologies were the only noncontrolling interest holders in EZchip Technologies.

Upon completion of the Employee Exchange Offer on December 22, 2009, the Company (i) acquired 2,707,948 ordinary shares of EZchip Technologies (including ordinary shares issued upon exercise of EZchip Technologies options) for an aggregate purchase price of \$7.146 (the purchase price represents the total proceeds the Company received from the December 2009 public offering) (ii) granted options to purchase 1,642,340 of Company Ordinary Shares in exchange for 6,241,078 options to purchase ordinary shares of EZchip Technologies with a fair value of \$13,225, and (iii) issued 243,774 Company Ordinary Shares in exchange for 926,442 ordinary shares of EZchip Technologies with a fair value of \$2,560.

Following the completion of the Employee Exchange Offer on December 22, 2009, all outstanding ordinary shares of EZchip Technologies and substantially all outstanding options to purchase ordinary shares of EZchip Technologies were held by the Company (except for options to purchase 156,250 ordinary shares of EZchip Technologies held by certain directors and an executive officer of EZchip Technologies that were exchanged during 2010 for options to purchase 41,120 Company Ordinary Shares). As of December 31, 2010, all outstanding ordinary shares of EZchip Technologies and all outstanding options to purchase ordinary shares of EZchip Technologies were held by the Company.

The Employee Exchange Offer and the acceleration of certain unvested EZchip Technologies options in connection with the Employee Exchange Offer was accounted for as a modification of terms, based on FASB ASC 718 with a resulting increase in the percentage held in EZchip Technologies according to the provisions of FASB ASC 810.

Remaining compensation on account of original EZchip Technologies options surrendered was recognized immediately as EZchip Technologies accelerated its vesting period.

The acquisition was accounted for in accordance with FASB ASC 810 guidance as a purchase of subsidiary's shares from noncontrolling interest holders. In accordance with FASB ASC 810, the increase in the Company's ownership interest in EZchip Technologies was accounted as an equity transaction. Therefore, no gain or loss was recognized in consolidated net income. The difference between the fair value of the consideration transferred and the carrying amount of the noncontrolling interest holders as recorded in Company's books immediately before the transaction was recognized in equity attributable to the Company (in Additional Paid In Capital).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 4- MARKETABLE SECURITIES

As of December 31, 2010 and 2009, all of the Company's marketable securities were classified as available-for-sale.

	December 31, 2010				December 31, 2009			
	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value
Available-for-sale - matures within one year:								
Governmental debentures – fixed interest rate	\$ 1,053	\$ --	\$ --	\$ 1,053	\$ --	\$ --	\$ --	\$ --
Corporate debentures – fixed interest rate	6,152	24	--	6,176	11,721	158	--	11,879
Corporate debentures – floating interest rate	2,000	5	(5)	2,000	--	--	--	--
	<u>\$ 9,205</u>	<u>\$ 29</u>	<u>\$ (5)</u>	<u>\$ 9,229</u>	<u>\$ 11,721</u>	<u>\$ 158</u>	<u>\$ --</u>	<u>\$ 11,879</u>
Available-for-sale - matures after one year through three years:								
Governmental debentures – fixed interest rate	2,654	27	--	2,681	--	--	--	--
Corporate debentures – fixed interest rate	20,193	224	--	20,417	14,491	161	(29)	14,623
Corporate debentures – floating interest rate	3,956	42	--	3,998	2,969	30	(11)	2,988
	<u>\$ 26,803</u>	<u>\$ 293</u>	<u>\$ --</u>	<u>\$ 27,096</u>	<u>\$ 17,460</u>	<u>\$ 191</u>	<u>\$ (40)</u>	<u>\$ 17,611</u>
	<u>\$ 36,008</u>	<u>\$ 322</u>	<u>\$ (5)</u>	<u>\$ 36,325</u>	<u>\$ 29,181</u>	<u>\$ 349</u>	<u>\$ (40)</u>	<u>\$ 29,490</u>

For the years ended December 31, 2010 and 2009, the net change in unrealized gain amounted to \$8 and \$991, respectively.

The Company adopted FASB ASC 320-10-65 effective January 1, 2009, which requires an other-than-temporary impairment for debt securities to be separated into (a) the amount representing the credit loss and (b) the amount related to all other factors (provided that the Company does not intend to sell the security and it is not more likely than not that it will be required to sell it before recovery). The Company classifies its marketable securities as available-for-sale and marks them to market with changes to other comprehensive income until realization or occurrence of other than temporary impairment loss. The Company typically invests in highly-rated securities, and its policy generally limits the amount of credit exposure to any one issuer. When evaluating the investments for other-than-temporary impairment, the Company reviews factors such as the length of time and extent to which fair value has been below cost basis, the financial condition of the issuer and any changes thereto, and the Company's intent to sell, or whether it is more likely than not it will be required to sell, the investment before recovery of the investment's amortized cost basis. Based on the above factors, the Company concluded that unrealized losses on all available-for-sale securities were not other-than-temporary and no credit loss was present for any of its investments. As such, the Company did not recognize any impairment charges on outstanding securities at the adoption date of the ASC or during the year ended December 31, 2010.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 5- DERIVATIVES INSTRUMENTS

The Company enters into derivative instruments with financial institutions in order to reduce the risk that its cash flows and earnings will be adversely affected by foreign currency exchange rate fluctuations. The Company hedges the cash flows of employee portion payroll expenses denominated in NIS against the changes of the U.S. Dollar. These derivative instruments are designated as cash flows hedges and are carried out through forward contracts on the U.S. Dollar/NIS rate.

Derivative instruments are recognized on the consolidated balance sheet as either assets or liabilities at fair value. The Company initially records changes in the fair value related to the effective portion (i.e., gains or losses) of the derivative instruments to Accumulated Other Comprehensive Income ("AOCI") and subsequently reclassifies those gains or losses to the applicable expense in the statement of operations when the hedged transactions are recorded.

As of December 31, 2010, the Company had outstanding forward contracts with a notional amount of \$4,600.

At December 31, 2010, the fair value of the Company's cash flow hedges before tax effect was \$293. Such an amount is expected to be reclassified from AOCI to the statement of operation within the next 10 months.

The Company measured the fair value of the forward contracts in accordance with FASB ASC 820 "Fair Value Measurements and Disclosures," at level 2.

During 2010, the Company reclassified net gain of \$404 out of the other comprehensive income and recognized in the Company's statements of operations as part of the payroll expenses.

The fair value of the open foreign exchange contracts recorded by the Company on its consolidated balance sheets as of December 31, 2010 and December 31, 2009, as an asset is as follows:

	<u>December 31,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
Derivatives designated as cash flow hedging instruments		
Other accounts receivable and prepaid expenses	\$ 293	\$ 264
Total	<u>\$ 293</u>	<u>\$ 264</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 5- DERIVATIVES INSTRUMENTS (CONT.)

The activity related to the changes in net unrealized (losses) gains on cash flow hedges is as follows:

	Year ended December 31,	
	2010	2009
Net unrealized gains (losses) on cash flow hedges as of beginning balance (*)	\$ 264	\$ (23)
Increase (decrease) in gains recognized in accumulated other comprehensive income	(375)	410
Realized gains (losses) reclassified into earnings	404	(123)
Net unrealized gains on cash flow hedges as of ending balance (*)	<u>\$ 293</u>	<u>\$ 264</u>

(*) Excludes tax effect in the amount of \$70 and \$66 for the year ended December 31, 2010 and 2009, respectively.

NOTE 6- FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with FASB ASC 820, "Fair Value Measurements and Disclosures," the Company measures its available-for-sale marketable securities and foreign currency forward contracts at fair value. Available-for-sale marketable securities and forward contracts are classified within Level 2 because they are valued using other inputs that are directly or indirectly observable in the marketplace for similar investments.

The Company's financial assets measured at fair value on a recurring basis consisted of the following types of instruments as of December 31, 2010:

	December 31, 2010			December 31, 2009		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Money Market Funds (included in Cash and cash equivalents)	1,519	--	--	--	--	--
Corporate bonds	--	36,325	--	--	29,490	--
Foreign currency cash flow hedges	--	293	--	--	264	--
Total	<u>\$ 1,519</u>	<u>\$ 36,618</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 29,754</u>	<u>\$ --</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 7:- OTHER ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

	December 31,	
	2010	2009
Government authorities	\$ 211	\$ 542
Prepaid expenses	375	236
Foreign currency forward contracts	293	264
Grants receivable from the OCS	--	178
Withholding tax deposit (*)	--	4,511
Others	299	334
Total	\$ 1,178	\$ 6,065

(*)Reflects withholding tax held in deposit by the Company due to the completion of the Employee Exchange Offer on December 22, 2009, which was paid to the tax authorities subsequent to balance sheet date. (See also Note 11.)

NOTE 8:- INVENTORIES

	December 31,	
	2010	2009
Raw materials	\$ 147	\$ 176
Work in progress	317	179
Finished products	4,058	1,178
Total	\$ 4,522	\$ 1,533

NOTE 9:- PROPERTY AND EQUIPMENT, NET

	December 31,	
	2010	2009
Cost:		
Office furniture and equipment	\$ 72	\$ 22
Computers, software and electronic equipment	4,510	4,339
Leasehold improvements	67	64
Total cost	\$ 4,649	\$ 4,425
Accumulated depreciation:		
Office furniture and equipment	7	6
Computers, software and electronic equipment	4,160	3,966
Leasehold improvements	63	59
Total accumulated depreciation	4,230	4,031
Depreciated cost	\$ 419	\$ 394

Depreciation expenses for the years ended December 31, 2010, 2009 and 2008 amounted to \$199, \$199 and \$231, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 10:- INTANGIBLE ASSETS, NET

	December 31,	
	2010	2009
Cost:		
Existing technology	\$ 8,663	\$ 8,663
Customer relationships	2,714	2,714
Total cost	<u>\$ 11,377</u>	<u>\$ 11,377</u>
Accumulated amortization:		
Existing technology	8,066	6,150
Customer relationships	2,130	1,358
Total accumulated amortization	<u>10,196</u>	<u>7,508</u>
Amortized cost	<u>\$ 1,181</u>	<u>\$ 3,869</u>

Amortization expenses for the years ended December 31, 2010, 2009 and 2008 amounted to \$2,688, \$2,825 and \$2,558, respectively.

Following is the expected amortization expenses in respect of the Company's intangible assets:

	Year ended December 31,	
	2011	\$ 977
	2012	204
	Total	<u>\$ 1,181</u>

NOTE 11:- OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	December 31,	
	2010	2009
Employees and payroll accruals	\$ 3,638	\$ 3,703
Withholding tax (*)	--	4,511
Accrued expenses	2,780	1,940
Prepayment of OCS grants	58	--
Deferred revenues	93	64
	<u>\$ 6,569</u>	<u>\$ 10,218</u>

(*) See also Note 7.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 12:- COMMITMENTS AND CONTINGENT LIABILITIES

a. Lease commitments:

The Company and EZchip Technologies lease facilities in Yokneam and Kiryat Gat under operating lease agreements, which will expire in January 2014 and October 2015, respectively, with monthly payments in the amount of \$39 and \$5, respectively. The Company has an option to extend the Kiryat Gat lease agreement for an additional five years.

The Company has the right to terminate the Yokneam operating lease agreement upon an advance notice of 90 days. The operating lease agreement for the Kiryat Gat facility does not permit the Company to terminate the lease prior to October 2012, and thereafter the lease can be terminated with advance notice of at least 180 days and payment of a penalty.

EZchip Inc. leases two offices in the United States under lease agreements that it renews every year for a monthly payment of \$7.

The Company leases motor vehicles under standard commercial operating leases.

Aggregate minimum lease commitments under non-cancelable operating leases as of December 31, 2010 are as follows:

Year ended December 31,	
2011	\$ 369
2012	135
Total	\$ 504

Total lease expenses for the Company and for its subsidiaries for the years ended December 31, 2010, 2009 and 2008, amounted to \$1,849, \$1,605 and \$1,719, respectively.

b. Royalties commitments:

EZchip Technologies participates in programs sponsored by the OCS for the support of research and development activities.

In each of 2010, 2009 and 2008, EZchip Technologies received an approval from the OCS for its participation in its research and development budgets. Pursuant to such programs, the OCS participates in up to 50% of the approved budget for certain periods ending December 31, 2010.

In connection with the OCS participation, EZchip Technologies is obligated to pay royalties to the OCS calculated at the rate of 3%-4.5% of sales of the products developed with the OCS's participation up to 100% of the grants received linked to the U.S. dollar bearing annual interest at a rate of LIBOR.

With respect to royalties paid for revenues that the Company derives from its partnership with Marvell (see also Notes 2r and 2v), royalties to the OCS are calculated based on Marvell's sale price to Cisco.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 12:- COMMITMENTS AND CONTINGENT LIABILITIES (CONT.)

b. Royalties commitments (cont):

As of December 31, 2010, the Company has a contingent obligation of \$10,328 which comprised of the amounts of royalty bearing grants received from the OCS less royalties already paid back or accrued to date on account of such obligation. For the years ended December 31, 2010, 2009 and 2008, the royalties expenses were \$1,683, \$383 and \$99, respectively.

As of December 31, 2010 and 2009, the Company accrued royalties pursuant to the OCS program in the amount of \$999 and \$189, respectively, to its cost of revenues line item in the statement of operations.

NOTE 13:- SHAREHOLDERS' EQUITY

a. Company's shares:

1. As of December 31, 2010, the Company's authorized share capital consists of NIS 1,000,000 divided into 50,000,000 Ordinary Shares, par value NIS 0.02 per share. Ordinary Shares confer on their holders, among other things, the right to receive notice to participate and vote in general meetings of the Company, the right to a share in the excess of assets upon liquidation of the Company, and the right to receive dividends, if declared.
2. On January 14, 2010, the Company issued and sold 106,893 Ordinary Shares in the underwritten public offering following the exercise by the underwriter of its over-allotment option for a total consideration of \$1,072.
3. During December 2009 and as part of the Employee Exchange Offer, the Company issued 956,392 Ordinary Shares in a public offering for total consideration of \$7,146, net of issuance costs of \$213. All of the proceeds were used to increase the Company's ownership interest in EZchip Technologies (see also Note 3).
4. During 2008, the Company issued 5,011,841 Ordinary Shares in connection with the acquisition of EZchip Technologies shares (see also Note 3).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 13:- SHAREHOLDERS' EQUITY (CONT.)

b. Company's stock option plans:

In October 2003, EZchip Semiconductor adopted the 2003 Israel Plan. The plan was amended in December 2006 and further amended in December 2007 and October 2010. The 2003 Israel Plan complies with Section 102 of the Israeli Income Tax Ordinance, which provides certain tax benefits in connection with stock-based compensation to employees, officer and directors. Pursuant to an amendment to the 2003 Israel Plan approved by the Company's shareholders in December 2007, on January 1st of each year, commencing January 1, 2009, to the extent the number of Ordinary Shares reserved, authorized and available for issuance is less than 4% of the number of Ordinary Shares issued and outstanding, it will automatically increase to equal 4% of the number of Ordinary Shares issued and outstanding on such date. Awards under the 2003 Israel Plan may be granted to Israeli employees, directors, consultants, advisers and service providers of the Company and its subsidiaries. In accordance with the terms and conditions imposed by Section 102 of the Israel Income Tax Ordinance, grantees who receive options or restricted shares units ("RSUs") under the 2003 Israel Plan are afforded certain tax benefits (excluding controlling shareholders of the Company or those who are not Israeli employees, directors, consultants, advisers and service providers of the Company and its subsidiaries). Awards granted under the 2003 Israel Plan have a maximum exercise period of ten years from the date of grant and are generally exercisable over four years. Shares subject to awards that are not exercised and forfeited will become available for future grants. As of December 31, 2010, 2,071,799 Ordinary Shares were available for future issuances under the 2003 Israel Plan, which amount is reduced by three shares for each RSU that the Company grants under the plan and by one share for each option that the Company grants under the plan. As of December 31, 2010 and 2009, options to purchase 1,773,992 and 2,115,280 Ordinary Shares were outstanding under the 2003 Israel Plan, respectively. In addition, as of December 31, 2010 and 2009, 433,101 and 95,961 RSUs were outstanding under the 2003 Israel Plan, respectively.

In December 2007, the Company adopted the 2007 U.S. Equity Incentive Plan (the "2007 U.S. Plan"). Except as required to address specific U.S. tax requirements, the general terms and conditions of the 2007 U.S. Plan are substantially similar to the terms and conditions of the 2003 Israel Plan. As of December 31, 2010, 479,600 Ordinary Shares were available for future issuances under the 2007 U.S. Plan, which amount is reduced by three shares for each RSU that the Company grants under the plan and by one share for each option that the Company grants under the plan. As of December 31, 2010 and 2009, options to purchase 253,991 and 376,537 Ordinary Shares were outstanding under the 2007 U.S. Plan, respectively. In addition, as of December 31, 2010 and 2009, 45,850 and 10,766 RSUs were outstanding under the 2007 U.S. Plan, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 13:- SHAREHOLDERS' EQUITY (CONT.)

b. Company's stock option plans (cont.):

In November 2009, the Company adopted the 2009 Israel Equity Plan (the "2009 Israel Equity Plan"). The plan was adopted in connection with the Employee Exchange Offer, as described in Note 3, for the sole purpose of issuing options to purchase the Company's ordinary shares to the Company's former and current Israeli employees who elect to exchange their options to purchase ordinary shares of EZchip Technologies. Up to 2,500,000 Ordinary Shares of the Company may be granted under the 2009 Israel Equity Plan, which amount is reduced by one Ordinary Share for each option granted under the plan. The 2009 Israel Equity Plan is administered by the Board of Directors, or a committee of the Board that is delegated authority to act as the administrator. Under the 2009 Israel Equity Plan, the Company may grant options to purchase its Ordinary Shares to former and current employees, directors, consultants, advisers and service providers of the Company and its subsidiaries in exchange for their options to purchase ordinary shares of EZchip Technologies. The 2009 Israel Equity Plan provides for the awards granted to have a maximum exercise period of ten years from the date of grant.

During 2010, the Company granted options to purchase 41,120 Ordinary Shares pursuant to the 2009 Israel Equity Plan in exchange for the remaining outstanding options to purchase ordinary shares of EZchip Technologies. As of December 31, 2010, options to purchase an aggregate of 374,126 Ordinary Shares were outstanding under the 2009 Israel Equity Plan, all of which were granted in December 2009 and during 2010 as part of the Employee Exchange Offer, as described in Note 3. All options granted under the 2009 Israel Equity Plan as part of the Employee Exchange Offer were granted as vested options.

Transactions related to the grant of options to current and former employees and directors under the above plans during the years ended December 31, 2010, 2009 and 2008, were as follows:

	Year ended December 31,					
	2010		2009		2008	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted Average exercise price
Outstanding at beginning of year	3,997,757	\$ 9.49	1,716,250	\$ 13.83	86,000	\$ 11.92
Granted	--	--	663,120	\$ 15.28	1,638,500	\$ 13.93
Issued pursuant to Employee Exchange Offer - See also Note 3	41,120	\$ 2.81	1,642,340	\$ 2.66	--	--
Exercised	(1,604,915)	\$ 4.98	(6,313)	\$ 13.90	(1,250)	\$ 2.88
Forfeited	(31,853)	\$ 14.46	(17,640)	\$ 13.94	(7,000)	\$ 13.90
Outstanding at end of year	2,402,109	\$ 12.32	3,997,757	\$ 9.49	1,716,250	\$ 13.83
Exercisable options at end of year	1,231,311	\$ 10.06	2,370,437	\$ 6.05	80,000	\$ 11.55
Vested and expected to vest	2,243,564	\$ 12.15	3,893,874	\$ 9.07	1,623,549	\$ 13.86

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 13:- SHAREHOLDERS' EQUITY (CONT.)

b. Company's stock option plans (cont.):

The intrinsic value of exercisable options (the difference between the Company's closing share price on the last trading day in fiscal 2010 and the exercise price, multiplied by the number of in-the-money options) represents the amount that would have been received by the option holders had all option holders exercised their options on December 31, 2010. This amount changes based on the fair market value of the Company's Ordinary Shares. Aggregate intrinsic value of outstanding options, exercisable options and vested and expected to vest options as of December 31, 2010 was \$37,910, \$22,218 and \$35,785, respectively.

Aggregate intrinsic value, at the date of exercise, of options that were exercised during the years ended December 31, 2010 and 2009 was \$26,097 and \$18, respectively.

The options outstanding as of December 31, 2010, grouped by exercise prices, were as follows:

Exercise price	Options outstanding as of December 31, 2010	Weighted average remaining contractual life years	Options exercisable as of December 31, 2010	Weighted average remaining contractual life years	Aggregate intrinsic value as of December 31, 2010
\$1.52 - \$3.80	435,683	2.63	435,683	2.63	\$ 10,949
\$10.33 - \$12.23	181,640	4.49	45,406	1.09	721
\$13.45 - \$16.62	1,784,786	4.48	750,222	4.22	10,548
	<u>2,402,109</u>	<u>4.14</u>	<u>1,231,311</u>	<u>3.54</u>	<u>\$ 22,218</u>

As of December 31, 2010, weighted average remaining contractual life of options vested and expected to vest is 4.49 years.

The following table illustrates the weighted average assumptions that had been used in calculating the fair value for options granted by the Company during 2009 and 2008. These options are amortized over their vesting period:

	Year ended December 31,	
	2009	2008
Dividend yield	0%	0%
Expected volatility	61%	60%
Risk-free interest	1.86%	2.75%
Expected life of up to	4.9 years	4.5 years

Weighted average fair values on the date of grant of options granted for the years ended December 31, 2009 and 2008 were \$8.06 and \$7.06, respectively.

The expected annual pre-vesting forfeiture rate affects the number of exercisable options. Based on the Company's historical experience, the annual pre-vesting forfeiture rate is 3%.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 13:- SHAREHOLDERS' EQUITY (CONT.)

- b. Company's stock option plans (cont.):

The following table summarizes information relating to RSU awards:

	Year ended December 31,					
	2010		2009		2008	
	Number of RSUs	Weighted average fair value at grant date	Number of RSUs	Weighted average fair value at grant date	Number of RSUs	Weighted average fair value at grant date
Outstanding at beginning of year	106,727	\$ 15.61	15,750	\$ 18.60	29,250	\$ 17.71
Granted	390,909	17.18	101,978	15.47	--	--
Vested and issued	(7,078)	22.01	(8,281)	18.60	(12,000)	16.67
Forfeited	(11,607)	15.67	(2,720)	18.41	(1,500)	16.67
Outstanding at end of year	478,951	\$ 16.78	106,727	\$ 15.61	15,750	\$ 18.60

Aggregate intrinsic value, at the date of vesting of RSUs and issuance of shares during the years ended December 31, 2010 and 2009 was \$165 and \$110 respectively.

Aggregate intrinsic value of RSUs outstanding as of December 31, 2010 was \$13,459.

- c. Company's stock-based compensation:

The Company's stock-based compensation expense recognized for years ended December 31, 2010, 2009 and 2008, was comprised as follows:

	Year ended December 31,		
	2010	2009	2008
Costs of revenues	\$ 303	\$ 214	\$ 116
Research and development expenses	2,941	2,908	1,600
Selling and marketing expenses	1,177	1,048	604
General and administrative expenses	1,409	1,175	813
Total stock-based compensation expenses	\$ 5,830	\$ 5,345	\$ 3,133

As of December 31, 2010, there was \$12,041 of total unrecognized stock-based compensation cost related to non-vested stock-based compensation granted under the Company's stock option plans. That cost is expected to be recognized over a weighted average period of 1.7 years.

In connection with an investment agreement that the Company executed during December 2003, the Company granted to an investor a five-year warrant to purchase 187,500 Ordinary Shares of the Company at an exercise price of \$11.39 per share. On December 10, 2008 the investor exercised the warrant, by way of a cashless exercise, in accordance with the terms of the warrant. Based on the closing price of the Company's Ordinary Shares on December 10, 2008 (\$11.81 per Ordinary Share), the cashless exercise of the warrant resulted in the issuance to the investor of 6,668 Ordinary Shares.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 14:- EZCHIP TECHNOLOGIES SHARES

EZchip Technologies stock option plans:

EZchip Technologies has granted options to purchase its ordinary shares to employees, shareholders and directors pursuant to the Israeli and the U.S. stock option plans (the "2000 Section 102 Share Option Plan", the "2003 Section 102 Share Option Plan" and the "2001 U.S. Stock Option Plan"). Under the terms of these grants, options generally became exercisable over a four-year period, commencing with the date of grant. The options were generally due to expire seven to ten years from the date of the grant and were non-transferable, except under the laws of succession.

In December 2007, the Company discontinued its practice of granting employees options to purchase shares of EZchip Technologies pursuant to the EZchip Technologies option plans. Instead, since such date all incentive awards to EZchip Technologies employees consisted of options or RSUs to purchase Ordinary Shares of the Company.

The following table is a summary of activity for EZchip Technologies' stock option plans:

	Year ended December 31,					
	2010		2009		2008	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at beginning of year	156,250	\$ 0.74	9,223,541	\$ 0.67	9,628,965	\$ 0.68
Granted	--	--	--	--	--	--
Exercised	--	--	(2,791,838)	\$ 0.59	(38,594)	\$ 0.95
Reduction due to exchange offer(*)	(156,250)	\$ 0.74	(6,241,078)	\$ 0.70	--	--
Forfeited	--	--	(34,375)	\$ 0.80	(366,830)	\$ 0.99
Outstanding at end of year	--	\$ --	156,250	\$ 0.74	9,223,541	\$ 0.67
Exercisable options at end of year	--	\$ --	--	\$ --	7,027,553	\$ 0.64
Vested and expected to vest	--	\$ --	156,250	\$ 0.74	9,077,627	\$ 0.65

(*) See also Note 3.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 15:- TAXES ON INCOME

a. Uncertain tax positions

The Company and its subsidiaries file federal and state income tax returns in the United States and Israel. The Company and EZchip Technologies (the Israeli subsidiary) may be subject to examination by the Israeli tax authorities for fiscal years 2006 through 2010. EZchip Inc. (the U.S. subsidiary) may be subject to examination by the U.S. Internal Revenue Service ("IRS") from commencement year 2001 through 2010.

The Company believes that it has adequately provided for any reasonably foreseeable outcome related to tax audits and settlement. However, the final tax outcome of the Company's tax audits could be different from what is reflected in the Company's income tax provisions and accruals. Such differences could have a material effect on the Company's income tax provision and net loss in the period in which such determination is made.

A reconciliation of the beginning and ending balances of the total amounts of gross tax liabilities is as follows:

	December 31,	
	2010	2009
Beginning balance	\$ 218	\$ 217
Reduction related to "a lapse of applicable statute of limitation"	--	(162)
Additions for current year tax position	78	163
Ending balance	<u>\$ 296</u>	<u>\$ 218</u>

The Company recognizes interest and penalties related to income taxes in the taxes on income line in its consolidated statements. The Company has approximately \$23 and \$5 accrued for the payments of interest and penalties as of December 31, 2010 and 2009, respectively.

b. Amendment to the Israeli Income Tax Ordinance

On July 25, 2005, the Israeli Parliament approved the Law for the Amendment of the Income Tax Ordinance (No. 147), 2005, which prescribes, among other provisions, a gradual decrease in the corporate tax rate in Israel to the following tax rates: in 2008 – 27%, in 2009 – 26% and in 2010 and thereafter – 25%.

On July 2009, the Israeli Parliament passed the Law for Economic Efficiency (Amended Legislation for Implementing the Economic Plan for 2009 and 2010), 2009, which prescribes, among others, an additional gradual reduction in the rates of the Israeli corporate tax and real capital gains tax starting 2011 to the following tax rates: 2011 – 24%, 2012 – 23%, 2013 – 22%, 2014 – 21%, 2015 – 20%, 2016 and thereafter – 18%.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 15:- TAXES ON INCOME (CONT.)

- c. Measurement of taxable income under the Income Tax (Inflationary Adjustments) Law, 1985:

Through 2007, results for tax purposes for the Company are measured and reflected in accordance with the change in the Israeli Consumer Price Index ("CPI"). As explained above in Note 2c, the consolidated financial statements are presented in U.S. dollars. The differences between the change in the Israeli CPI and in the NIS/U.S. dollar exchange rate cause a difference between taxable income and the income before taxes reflected in the consolidated financial statements.

In accordance with FASB ASC 740-10-25, the Company has not provided deferred income taxes on the above differences resulting from changes in exchange rates and indexing for tax purposes of assets and liabilities.

On February 26, 2008, the Israeli Parliament enacted the Income Tax Law (Inflationary Adjustments) (Amendment No. 20) (Restriction of Effective Period), 2008 (the "Inflationary Adjustments Amendment"). In accordance with the Inflationary Adjustments Amendment, the effective period of the Inflationary Adjustments Law ceased at the end of the 2007 tax year and as of the 2008 tax year the provisions of the law no longer apply, other than the transitional provisions intended at preventing distortions in the tax calculations. In accordance with the Inflationary Adjustments Amendment, commencing as of the 2008 tax year, income for tax purposes is no longer adjusted to a real (net of inflation) measurement basis. Furthermore, the depreciation of inflation immune assets and carried forward tax losses is no longer linked to the Israeli consumer price index.

- d. Tax benefits under the Law for the Encouragement of Capital Investments, 1959 (the "Law"):

EZchip Technologies' facilities in Israel have been granted "Approved Enterprise" status under the Law. To date EZchip Technologies has one approved and two privileged programs subject to the alternative track (as discussed below), that provide its undistributed income exempt from tax for a ten year period, starting the first year in which the Company generates taxable income from its enterprises.

A company that obtained an Approved Enterprise approval may elect to receive an alternative package comprised of tax benefits, referred to as the "Alternative Track", rather than grants. Under the Alternative Track, a company's undistributed income derived from an Approved Enterprise is exempt from corporate tax for an initial period (two to ten years, depending on the geographic location of the Approved Enterprise within Israel). The exemption begins in the first year that the company realizes taxable income from the Approved Enterprise. There is no year limitation to the Approved enterprise in the Alternative Track.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 15:- TAXES ON INCOME (CONT.)

- d. Tax benefits under the Law for the Encouragement of Capital Investments, 1959 ("the Law") (cont.):

On April 1, 2005, an amendment to the Law came into effect (the "Amendment") and has significantly changed the provisions of the Law. Generally, investment programs that have already obtained approval for an Approved Enterprise by the Israeli Investment Center will continue to be subject to the Law's provisions. On the Alternative Track the Amendment enacted major changes in the manner in which tax benefits are awarded under the Law so that companies are no longer required to obtain Investment Center approval in order to qualify for tax benefits. Such an enterprise is a "Privileged Enterprise", rather than the previous terminology of Approved Enterprise. The period of tax benefits for a new Privileged Enterprise commences in the "Year of Commencement." This year is the later of (1) the year in which taxable income is first generated by a company, or (2) a year selected by the company for commencement, on the condition that the company meets certain provisions provided by the Law, referred to as the Year of Election. The amendment does not apply to investment programs approved prior to December 31, 2004, and applies to new investment programs only. Therefore, the Company's Approved Enterprise program is not subject to the provisions of the amendment, but its two Privileged Enterprise programs are.

The benefits available to an Approved and Privileged Enterprises are conditioned upon terms stipulated in the Law and the related regulations (which include making specified investments in property and equipment, and financing a percentage of these investments with share capital), and the criteria set forth in the applicable certificate of approval. If EZchip Technologies does not fulfill these conditions in whole or in part, the benefits can be cancelled and it may be required to refund the amount of the benefits, linked to the Israeli consumer price index plus interest.

Tax-exempt income generated under the provisions of the law will subject the Company to taxes upon distribution or liquidation and the Company may be required to record deferred tax liability with respect to such tax-exempt income.

Recently, new legislation amending the Law was adopted. Under this new legislation, a uniform corporate tax rate will apply to all qualifying income of certain Industrial Companies, as opposed to the current law's incentives, which are limited to income from Approved Enterprise and Privileged Enterprises during their benefits period. Under the new law, the uniform tax rate will be 10% in areas in Israel designated as Development Zone A and 15% elsewhere in Israel during 2011-2012, 7% and 12.5%, respectively, in 2013-2014, and 6% and 12%, respectively thereafter. The profits of these Industrial Companies will be freely distributable as dividends, subject to a 15% withholding tax (or lower, under an applicable tax treaty).

Under the transition provisions of the new legislation, the Company may elect to irrevocably implement the new law while waiving benefits provided under the current law or to remain subject to the current law. Changing from the current law to the new law is permitted at any time. The Company does not expect the new law to have a material effect on the tax payable on its Israeli operations in the foreseeable future.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 15:- TAXES ON INCOME (CONT.)

- e. The tax benefit (taxes on income), for the years ended December 31, 2010, 2009 and 2008 consisted of the following:

	Year ended December 31,		
	2010	2009	2008
Current	\$ --	\$ --	\$ --
Deferred	(8,236)	11,675	--
	<u>\$ (8,236)</u>	<u>\$ 11,675</u>	<u>\$ --</u>
Domestic (Israel)	\$ (7,817)	\$ 11,256	--
Foreign	(419)	419	--
	<u>\$ (8,236)</u>	<u>\$ 11,675</u>	<u>\$ --</u>

- f. Net operating and capital losses carryforward:

As of December 31, 2010, the operating tax loss carryforwards of the Company totaled to \$42,445. Of that amount \$31,207 is related to EZchip semiconductor, which the Company does not believe will be utilized in the foreseeable future. The remaining \$11,238 is related to EZchip Technologies for which the Company expects to utilize in the short-term and for which a valuation allowance was not provided. The loss may be carried forward indefinitely and may be offset against future taxable income.

The operating tax loss carryforwards through December 31, 2010 of EZchip Inc. amounted to \$3,951. The loss may be offset against any future U.S. taxable income for periods of 20 years expiring gradually from 2021 through 2030.

Utilization of the U.S. net operating losses may be subject to substantial annual limitation due to the "change in ownership" provisions of Section 382 of the Internal Revenue Code of 1986 and similar state provisions. The annual limitation may result in the expiration of net operating losses before utilization. As of December 31, 2010, the Company does not expect that the change in ownership provisions will have an effect on its net operating losses.

As of December 31, 2010, the Company's and EZchip Technologies capital tax loss carryforwards amounted to \$30,590. The capital loss may be carryforward indefinitely and may be offset against future capital income.

- g. Income (loss) before tax is comprised as follows:

	Year ended December 31,		
	2010	2009	2008
Domestic (Israel)	\$ 21,454	\$ 5,485	\$ (4,966)
Foreign	425	314	329
	<u>\$ 21,879</u>	<u>\$ 5,799</u>	<u>\$ (4,637)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 15:- TAXES ON INCOME (CONT.)

h. Deferred income taxes:

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company and its subsidiaries' deferred tax assets are comprised of operating loss carryforwards, capital loss carryforwards and other temporary differences. Significant components of the Company and its subsidiaries deferred tax assets are as follows:

	December 31,	
	2010	2009
Deferred tax assets:		
Current reserves and allowances	\$ 903	\$ 1,689
Noncurrent reserves and allowances	94	606
Current operating loss carryforwards	2,697	4,425
Noncurrent operating loss carryforwards	6,961	11,353
Capital loss carryforwards	5,506	7,256
Total deferred tax assets	16,161	25,329
Less - valuation allowance	(12,648)	(13,654)
Total deferred tax assets,	\$ 3,513	\$ 11,675
Total deferred tax liabilities	(70)	(66)
Net deferred tax assets	\$ 3,443	\$ 11,609

In assessing the realization of deferred tax assets, management considers whether it is more likely than not that all or some portion of the deferred tax assets will not be realized. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income during the periods and in the jurisdictions in which temporary differences are deductible and net operating losses are utilized. Based on consideration of these factors, the Company recorded a valuation allowance of \$12,648 and \$13,654 at December 31, 2010 and 2009, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 15:- TAXES ON INCOME (CONT.)

- i. Reconciliation of the theoretical tax expense (benefit) to the actual tax benefit:

Reconciliation between the theoretical tax expense, assuming all income is taxed at the statutory tax rate applicable to income of the Company, and the actual tax expense as reported in the statement of operations is as follows:

	<u>Year ended December 31,</u>		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
Income (loss) before taxes as reported in the consolidated statements of operations	\$ 21,879	\$ 5,799	\$ (4,637)
Statutory tax rate	25%	26%	27%
Theoretical tax expenses (benefits) on the above amount at the Israeli statutory tax rate	\$ 5,470	\$ 1,508	\$ (1,252)
Non-deductible expenses and temporary differences for which a deferred taxes was not provided	2,205	766	2,109
Non-deductible expenses related to employee stock options, net	751	1,270	846
Deferred taxes on losses (utilization of losses) and temporary differences for which a valuation allowance was provided	(1,006)	(16,038)	406
Difference in basis of measurement for tax purpose and others	756	803	(2,126)
Others	60	16	17
Actual taxes on income (taxes benefit)	<u>\$ 8,236</u>	<u>\$ (11,675)</u>	<u>\$ --</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 16:- SEGMENTS AND GEOGRAPHIC INFORMATION

- a. Segment information:

The Company manages its business on the basis of one reportable segment. See Note 1a for a brief description of the Company's business.

- b. Total revenues are attributed to geographic areas based on the bill-to location of the customers and/ or customers' manufacturing subcontractors.

The following table presents total revenues for the years ended December 31, 2010, 2009 and 2008 and long-lived assets as of December 31, 2010, 2009 and 2008:

	2010		2009		2008	
	Revenues	Long-lived Assets (*)	Revenues	Long-lived Assets (*)	Revenues	Long-lived Assets (*)
Israel	\$ 6,910	\$ 617	\$ 4,307	\$ 392	\$ 4,785	\$ 321
China and Hong Kong	32,896	--	23,463	--	10,844	--
Far East (excluding China and Hong Kong)	1,567	--	300	--	2,925	--
Canada	638	--	340	--	9,570	--
USA	6,584	2	7,286	2	4,218	2
Europe	13,310	--	4,179	--	1,118	--
Others	93	--	171	--	106	--
	<u>\$ 61,998</u>	<u>\$ 619</u>	<u>\$ 40,046</u>	<u>\$ 394</u>	<u>\$ 33,566</u>	<u>\$ 323</u>

(*) Excluded goodwill and intangible assets.

- c. Revenues from network processors amounted to \$60,883, \$39,109 and \$32,784 for the years ended December 31, 2010, 2009 and 2008, respectively (including NPU based systems). These revenues also included royalties revenues derived from the partnership with Marvell which amounted to \$12,468, \$3,123 and \$706 for the years ended December 31, 2010, 2009 and 2008, respectively. In addition revenues from software tools and other services amounted to \$1,115, \$937 and \$782 for the years ended December 31, 2010, 2009 and 2008, respectively.
- d. Sales to the Company's significant customers, including sales to their manufacturing subcontractors, as a percentage of total revenue were as follows:

	Year ended December 31,		
	2010	2009	2008
Customer A	40%	54%	55%
Customer B	20%	--	--
Customer C	10%	--	--

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

NOTE 17:- MAJOR SUBCONTRACTORS

All of the Company's network processor chips are manufactured by third party subcontractors. While these subcontractors have been able to adequately meet the demands of the Company's increasing business, the Company is and will likely continue to be dependent upon such subcontractors to achieve acceptable manufacturing yields, quality levels and costs, and to allocate to the Company sufficient capacity to meet the Company's needs in a timely manner. Revenues could be materially and adversely affected should these subcontractors fail to meet the Company's demand for products due to a shortage of production capacity, process difficulties, low yield rates or financial instability. For the years ended December 31, 2010, 2009 and 2008, the Company's principal subcontractors accounted for approximately 77%, 83% and 73%, respectively, of the Company's cost of revenues.

NOTE 18:- FINANCIAL INCOME, NET

	Year ended December 31,		
	2010	2009	2008
Income:			
Interest income	\$ 1,161	\$ 1,027	\$ 1,448
Foreign currency translation adjustments	13	--	46
Realized gain related to sale of marketable securities	12	--	--
Total income	1,186	1,027	1,494
Expenses:			
Interest and bank charges	(56)	(55)	(59)
Foreign currency translation adjustments	--	(64)	--
Realized loss related to sale of marketable securities	--	(6)	(27)
Total expenses	(56)	(125)	(86)
Financial income, net	\$ 1,130	\$ 902	\$ 1,408

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 19:- EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted net earnings per share:

	Year Ended December 31,		
	2010	2009	2008
Numerator:			
Net income (loss)	\$ 13,643	\$ 17,382	\$ (4,600)
Denominator:			
Weighted-average number of shares outstanding used in computing basic net earnings per share	25,281,651	23,376,217	23,048,868
Dilutive effect: stock options and RSUs	828,481	140,043	--
Total weighted-average number of shares used in computing diluted net earnings per share	<u>26,110,132</u>	<u>23,516,260</u>	<u>23,048,868</u>
Basic net income (loss) per share	\$ 0.54	\$ 0.74	\$ (0.20)
Diluted net income (loss) per share	<u>\$ 0.52</u>	<u>\$ 0.66</u>	<u>\$ (0.20)</u>

Anti-dilutive securities

The following outstanding options and RSUs were excluded from the computation of diluted net earnings per Ordinary Share for the periods presented because including them would have had an anti-dilutive effect.

	Year Ended December 31,		
	2010	2009	2008
Options to purchase Ordinary Shares, RSUs and warrants	<u>538,623</u>	<u>2,356,524</u>	<u>2,210,800</u>

SIGNATURES

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

EZCHIP SEMICONDUCTOR LTD.

By: /s/ Eli Fruchter
Eli Fruchter
Principal Executive Officer

Dated: March 31, 2011

TECHNOLOGY DEVELOPMENT, LICENSE AND MANUFACTURING AGREEMENT

This **TECHNOLOGY DEVELOPMENT, LICENSE AND MANUFACTURING AGREEMENT** (this "Agreement") is entered into as of April 12, 2006 (the "Effective Date") and is by and between **MARVELL INTERNATIONAL LTD.**, a Bermuda corporation, with offices at Argyle House, 41a Cedar Avenue, Hamilton, HM 12, **MARVELL SEMICONDUCTOR ISRAEL LTD.**, an Israeli corporation, with offices at 6 Hamada Street, Mordot HaCarmel Industrial Park, Yokneam, Israel 20692 (Marvell International Ltd. And Marvell Semiconductor Israel Ltd. are collectively referred to as "Marvell") and **EZCHIP TECHNOLOGIES LTD.**, an Israeli corporation with offices at 1 Hatamar Street, PO Box 527, Yokneam 20692, Israel ("EZchip"). Marvell and EZchip are each a "party" and collectively are the "parties" herein.

RECITALS

WHEREAS, Marvell is in the business of developing, manufacturing and providing storage, communications and consumer silicon devices and EZchip is a fabless semiconductor company that develops and markets network processor devices; and

WHEREAS, the parties wish to enter into an agreement under which the parties can mutually agree to conduct projects for development, manufacturing and sale of certain unique versions of certain customized EZchip semiconductor devices and related technology, in each case pursuant to an SOW agreed to by the parties in writing and attached to this Agreement.

NOW, THEREFORE, the parties hereby agree as follows:

1. DEFINITIONS.

1.1 "Affiliate" shall mean a person or entity that directly or indirectly, controls or is controlled by, or is under common control with a party hereto (with "control" meaning ownership of more than fifty percent (50%) of the voting stock of the entity or, in the case of a non-corporate entity, an equivalent interest).

1.2 "Bug Fixes" shall mean material design related changes developed or implemented in the "EZchip Deliverables," the "Marvell Deliverables" or in a "Licensed Product" made or undertaken by either party during the "Term," as defined herein, of this Agreement in order to fix the design to meet the requirements of the applicable Licensed Product's Specification.

1.3 "Deliverables" shall mean the EZchip Deliverables and the Marvell Deliverables.

1.4 "Derivatives" means: (i) for copyrightable or copyrighted material, any translation, abridgement, revision or other form in which an existing work may be recast, transformed or adapted; (ii) for work protected by topography or mask right, any translation, abridgement, revision or other form in which an existing work may be recast, transformed or adapted; (iii) for patentable or patented material, any improvement; and, (iv) for material protected by trade secret, any new material derived from or employing such existing trade secret.

1.5 "EZchip Deliverables" collectively shall mean the EZchip Technology, EZchip Design Materials, Licensed Software, EZchip Documentation and all Bug Fixes completed by EZchip for any of the foregoing.

1.6 "EZchip Design Materials" shall mean, but not be limited to the following: netlists, photomasks (if any), mask sets (if any), mask works (if any), generated metal mask interconnect data (if any), database tapes, including pattern generation tapes and test tapes, custom cell libraries, chip design materials, including RTL source code, and all software and chip validation material, including all drivers, silicon validation environments, test plans and test results, all as developed or owned by EZchip that relate to each Licensed Product. The EZchip Design Materials, if any, shall be described in the SOW for the applicable Licensed Product

1.7 "EZchip Documentation" shall mean the documentation, including all software documentation and any and all architecture specifications, simulation environments, test-plans, test results, timing information and timing reports, each as they relate to each Licensed Product, which is required by Marvell to accomplish the purposes of this Agreement and fully exercise Marvell's license rights set forth herein. The EZchip Documentation, if any, shall be described in the SOW for the applicable Licensed Product

1.8 "EZchip Technology" shall collectively mean the Intellectual Property Rights and know-how belonging to EZchip, or any Affiliate thereof, embodied in the EZchip Deliverables and Licensed Products.

1.9 "Fees" shall mean the amounts (other than Royalty payments) payable by one party to the other party under an SOW, as may be set forth in Exhibit F.

1.10 "Intellectual Property Rights" shall mean, collectively, "Patents", "Trade Secrets," "Copyrights," "Mask Works," design algorithms and all other intellectual property rights and proprietary rights, excluding trademarks, whether arising under the laws of the United States or any other state, country or jurisdiction, now or hereafter existing. For purposes of this Agreement: (a) "Patents" means all patent rights and all right, title and interest in all design, utility, and letters patent or equivalent rights, which includes any and all rights in or springing from an application for any such patent, and further, including any reissue, extension, division, continuation, patent pending or continuation-in-part applications throughout the world relating to any such patent, now or hereafter existing; (b) "Trade Secrets" means all right, title and interest in all trade secrets and trade secret rights arising under common law, state law, federal law or laws of foreign countries, now or hereafter existing; (c) "Copyrights" means all copyrights, and all right, title and interest in all copyrights, copyright registrations and applications for copyright registration, certificates of copyright and copyrighted interests throughout the world, and all right, title, and interest in related applications and registrations throughout the world, now or hereafter existing; and, (d) "Mask Works" means the series of related images however fixed or encoded having or representing the predetermined three dimensional pattern of metallic, insulating or semiconductor material present or removed from the layers of the underlying integrated circuit device and in which series the relation of the images to one another is that each image has the pattern of the surface of one form of such integrated circuit device.

1.11 "Licensed Product(s)" shall mean the integrated circuit product(s) as set forth in an SOW executed by both parties, which result from the development efforts provided for in the applicable SOW. The parties agree that the Licensed Products shall include any Bug Fixes to each such product.

1.12 "Licensed Software" shall mean the software and/or library software developed and provided by EZchip to operate in conjunction with the Licensed Products and required by Marvell to exercise its license rights hereunder. The Licensed Software, if any, shall be described in the SOW for the applicable Licensed Product.

1.13 "Marvell Deliverables" collectively shall mean the Marvell Technology, Marvell Design Materials, Marvell Documentation and all Bug Fixes completed by Marvell associated therewith.

1.14 "Marvell Design Materials" shall mean, but not be limited to the following: netlists, photomasks, mask sets, Mask Works, generated metal mask interconnect data, database tapes, including pattern generation tapes and test tapes, custom cell libraries, all as developed or owned by Marvell that relate to the Licensed Products. The Marvell Design Materials, if any, shall be described in the SOW for the applicable Licensed Product

1.15 "Marvell Documentation" shall mean the documentation developed by Marvell in connection with its development of the Licensed Products, which is required by EZchip to accomplish the purposes of this Agreement and fully exercise EZchip's license rights set forth herein. The Marvell Design Materials, if any, shall be described in the SOW for the applicable Licensed Product

1.16 "Marvell Technology" shall collectively mean the Intellectual Property Rights and know-how belonging to Marvell, or any Affiliate thereof, embodied in the Marvell Deliverables and Licensed Products.

- 1.17 “Shared Engineering Charge” shall mean those engineering charges related to the development of the Licensed Products to be shared by the parties as further specified in a SOW.
- 1.18 “Royalties” shall mean the royalties due and payable from Marvell to EZchip for sales of Licensed Products, if any, under the terms of Exhibit F.
- 1.19 “Specification” shall mean the written design specification relating to functionality and characteristics of each Licensed Product that is to be mutually prepared, agreed upon by EZchip and Marvell based on this Agreement and its related Exhibits and be attached hereto as an Exhibit A-x.
- 1.20 “SOW” for the Licensed Products shall mean the written description of the work to be performed by the parties to complete the development of each Licensed Product, attached as Exhibit B-x hereto.
- 1.21 “Support” shall mean the terms and conditions pursuant to which EZchip shall support Marvell, as set forth on Exhibit C attached hereto.

2. DEVELOPMENT RESPONSIBILITIES; ACCEPTANCE AND MODIFICATIONS.

2.1 Each party agrees to perform the development and manufacturing activities allocated to such party as set forth in a SOW by the completion dates thereon. To the extent that there is a delay in completion of any scheduled activity set forth in a SOW to be performed by a party, then, without limitation as to exercising its other rights hereunder, the other party may correspondingly delay the performance of all subsequent activity to be performed by such other party. EZchip shall not subcontract any portion of its obligations under an SOW to any third party or any subcontractor, other than an Affiliate of EZchip, unless such sub-contractor has been approved by Marvell in writing prior to such subcontracting, which approval shall not be unreasonably withheld. Marvell shall have the right to have its obligations relating to the manufacture of Licensed Products under any SOW or this Agreement performed by any Affiliate of Marvell or Marvell’s subcontractors. Marvell shall not subcontract any portion of its obligations relating to the design of Licensed Products under an SOW to any third party or any subcontractor, other than an Affiliate of Marvell, unless such sub-contractor has been approved by EZchip in writing prior to such subcontracting, which approval shall not be unreasonably withheld. Each party shall at all time remains responsible for the compliance of its Affiliates and permitted subcontractors with the provisions contained herein.

2.2 A Deliverable shall be deemed accepted by the receiving party, unless such Deliverable contains a material non-compliance to the applicable SOW or Specification (a “Non-Conformance”) which must be corrected by the party delivering such Deliverable item, and the intended receiving party provides reasonable notice of such Non-Conformance. Upon receipt of notice of such Non-Conformance, the delivering party will use its commercially reasonable efforts to correct the specified Non-Conformance, and will promptly resubmit the Deliverable to the other party in a condition that conforms to the SOW or the Specification. Upon redelivery, the receiving party will then accept or reject such resubmitted Deliverable within a commercially reasonable period of time.

2.3 Each party will provide sufficient engineering resources to ensure the performance of such party's obligation under a SOW.

2.4 EZchip and Marvell, each with respect to itself, covenants and agrees that the Licensed Products shall be in conformance with Marvell's quality assurance standards attached hereto as Exhibit D. In addition, EZchip and Marvell, each with respect to itself, covenants that all Licensed Products will substantially conform to the test and inspection requirements and the requirements specified with respect to each Licensed Product in the related SOW or Specification.

2.5 If set forth in the applicable SOW, the parties will develop evaluation boards and reference designs to evaluate and verify the performance of the Licensed Products, and to demonstrate the performance of the Licensed Products. The costs and responsibilities associated with the development of the evaluation boards and reference designs will be stated in the SOW.

3. CHANGES TO SPECIFICATION; ADDITIONAL SOWS.

3.1 Both parties agree that any changes to a Specification or SOW shall be subject to the written consent of the parties. The parties may agree to develop new Licensed Products pursuant to the terms of this Agreement upon mutual written agreement of the parties to new SOWs, Specifications and other related commercial terms.

4. OWNERSHIP RIGHTS AND LICENSE GRANT.

4.1 Except as specified in this Section 4, the parties agree that each party shall retain ownership of its respective Intellectual Property Rights and Derivatives thereof incorporated into the Licensed Product or such party's respective Deliverables. The parties agree that except as expressly authorized in this Agreement, neither party shall attempt to reverse engineer the other party's Deliverables or Intellectual Property Rights and any such attempt shall be deemed a material breach hereto.

4.2 The parties shall have joint ownership of any Intellectual Property Rights that are jointly developed by the parties pursuant to this Agreement, that arise after the Effective Date hereof and that are specifically identified in the relevant Licensed Product SOW or Specification as jointly developed and created Intellectual Property Rights. Each party shall be free to use and otherwise exploit such jointly owned Intellectual Property Rights without any restrictions or limitations and without the need to account to the other party, other than as expressly set forth herein. The parties agree to cooperate with each other and to execute any documents reasonably necessary to carry out the intent of this Section 4.2. Nothing contained herein shall be deemed to transfer to a party ownership rights in the other party's Intellectual Property Rights or Deliverables.

4.3 License Grants. (a) Any Deliverables supplied by either party as set forth in an SOW shall be used by the other party only under the license in this Section 4.3. Subject to the terms hereof, each party hereby grants the other party, under all of its Intellectual Property Rights embodied in the Deliverables supplied by such party as set forth in an SOW, a non-exclusive, revocable (as set forth below), non-transferable license to internally use any such Deliverables solely for the purpose of testing or developing the applicable Licensed Product as set forth in the SOW. In no event may the party that receives such Deliverables exercise the foregoing license to develop, make, use or sell, or otherwise distribute, any Deliverables of the other party other than for the foregoing purpose. The license granted to a party in this Section 4.3(a) shall terminate upon the earlier of (1) completion of the applicable development or testing of the Licensed Product under the applicable SOW, or (2) in the event that a party materially breaches this Agreement and such breach remains uncured, the date that is thirty (30) days after such party's receipt of written notice of such material breach from the other party.

(b) Additionally, EZchip grants to Marvell and its Affiliates, under all of EZchip's Intellectual Property Rights embodied in the EZchip Deliverables and the Licensed Products a royalty bearing, non-exclusive, world-wide, perpetual, non-transferable license to manufacture, have manufactured, use, modify (but only if and to the extent specifically permitted in the applicable SOW), sell, support, distribute through multiple tiers of distribution, import, export and market the Licensed Products, and the applicable SOW may limit such license to sales to Identified Customers and Identified Programs (as such terms are defined in Section 9.1 below) and sales to EZchip or its Affiliates. The Royalty Fee or Fees referenced herein shall be as set forth in Exhibit F for each Licensed Product, respectively.

4.4 Except for the licenses specifically granted in Section 4.3, in Section 10 and elsewhere herein, no other licenses or rights are granted by one party to the other, whether by estoppel, implication or otherwise. Nothing herein shall limit a party's rights as provided by the first sale or exhaustion doctrines in the exercise of the licenses granted herein.

5. PARTIES' SUPPORT OBLIGATIONS.

5.1 EZchip shall support Marvell and Marvell's end customers for the EZchip Deliverables and each Licensed Product developed hereunder in accordance with the provisions of Exhibit C attached hereto during the term of this Agreement and after any termination or expiration of this Agreement for the life of applicable Licensed Product.

5.2 EZchip shall reasonably support Marvell's efforts to market and sell the Licensed Products to Marvell's customers in accordance with Marvell's requirements to ensure successful, volume launch of the Licensed Products.

6. FINANCIAL OBLIGATIONS.

6.1 Each party agrees to pay to the other party any Royalties or Fees due for the applicable SOW or sales of the applicable Licensed Product under the terms set forth in Exhibit F.

Fees due from one party to the other party under the terms of an SOW shall be due within [] days after the date of invoice for the applicable Fees. The parties shall cooperate to optimize the business, accounting and tax treatment of the financial obligations under this Agreement, and shall specify the relevant arrangements in each case in the applicable SOW. Notwithstanding the foregoing, each party shall be responsible for all income taxes it accrues as a result of any payment it receives under this Agreement. All monetary amounts set forth in this Agreement refer to U.S. dollars.

6.2 If Marvell owes Royalties to EZchip for a Licensed Product as set forth in Exhibit F, then Marvell shall provide EZchip with quarterly reports by the 30th day of the month following the end of each Marvell fiscal quarter, specifying the units of Licensed Products sold to each customer during the period of the report and the respective Royalties due to EZchip from such sales.

Marvell's payment of the applicable Royalties due to EZchip, as shown in each such quarterly Royalty report, shall accompany such Royalty report. EZchip shall have the right to appoint an independent third-party auditor reasonably acceptable to Marvell to conduct an audit of Marvell's relevant records once per year to verify Marvell's compliance with the Royalty payment terms of this Agreement. EZchip shall bear the expenses of the audit, however, in the event any such audit reveals that Marvell has understated the amount of Royalties that it is obligated to pay to EZchip under this Agreement by an amount of more than five percent (5%) of the amount paid to EZchip during the period audited, then, in addition to all Royalties due and unpaid hereunder, Marvell shall pay all reasonable costs directly associated with the audit. All information of Marvell disclosed in the course of such audit shall be deemed Marvell's "Confidential Information," as defined herein, regardless of marking, provided that such auditor shall be entitled to disclose to EZchip the information required in order for EZchip to enforce its rights under this Agreement. EZchip shall be responsible to ensure that the independent auditor performing any such audit is subject to confidentiality restrictions substantially similar to the terms of this Agreement.

* This portion of the agreement has been omitted pursuant to a Request for Confidential Treatment under Rule 24b-2 of the Securities Exchange Act of 1934. The complete agreement, including the portion for which confidential treatment has been requested, has been filed separately with the Securities and Exchange Commission.

6.3 If the parties agree to terms for sale of a specified Licensed Product from Marvell to EZchip, then Marvell will manufacture and sell to EZchip the applicable Licensed Product according to the terms as set forth in Exhibit H.

6.4 The parties' respective responsibilities for any Shared Engineering Charges, if any, will be set forth in the applicable SOW.

7. CONFIDENTIAL INFORMATION.

7.1 "Confidential Information" shall mean that information of either party which is disclosed to the other party ("Recipient") by reason of the parties' relationship under this Agreement, either directly or indirectly in any written or recorded form, orally, or by drawings or inspection of parts or equipment, and, if disclosed in writing or any other tangible form shall be conspicuously marked as confidential or proprietary at the time of disclosure, or if disclosed orally or in any other intangible form, designated as confidential or proprietary at the time of disclosure and reduced to writing similarly marked within thirty (30) days of such disclosure. However, the definition of "Confidential Information" shall also include such information that should reasonably be considered as confidential by the Recipient due to the circumstances surrounding disclosure or the nature of the information.

7.2 Recipient will use the same degree of care to protect Confidential Information received hereunder as it uses to protect its own confidential information of like importance, and in any event not less than a reasonable degree of care. Recipient covenants and agrees that it will (i) not disclose the Confidential Information to any third party other than permitted third party contractors under Section 2.1 that are subject to written confidentiality obligations with the Recipient substantially similar to the confidentiality terms of this Agreement, (ii) receive and use the Confidential Information only for performance of Recipient's rights and obligations under this Agreement and within the scope of the licenses granted hereunder, and (iii) not otherwise employ such Confidential Information in any of its products or otherwise, and shall only disclose such Confidential Information to its employees or employees of its Affiliates or permitted subcontractors who have need to know such Confidential Information for performance of Recipient's rights and obligation hereunder provided that such personnel have entered into written agreements with Recipient sufficient to allow Recipient to comply with its obligations hereunder. Except as permitted hereunder, Recipient covenants and agrees not to attempt to decompile or otherwise reverse engineer any Confidential Information disclosed to Recipient by the other party. It is expressly agreed that Recipient shall not be liable for disclosure of any Confidential Information to a third party if the same:

- (a) was in the public domain at the time it was disclosed or becomes in the public domain without breach of this Agreement by Recipient;
- (b) was known to Recipient at the time of disclosure, as evidenced in writing as shown by the recipient's books and records;
- (c) is disclosed with the prior written approval of the other party hereto;
- (d) was or is independently developed by Recipient without use of Confidential Information received hereunder as evidenced in writing by the Recipient's books and records; and,

(e) becomes known to Recipient, on a nonconfidential basis, from a source other than the other party hereto, without breach of this Agreement by Recipient and without breach of a non disclosure agreement between the disclosing party and such third party.

7.3 Upon any termination or expiration of this Agreement or any SOW, the Recipient shall return or destroy all Confidential Information of the disclosing party in its possession (or in the case a SOW is terminated, that Confidential Information related to the terminated SOW) within ten (10) days of its receipt of written request from the disclosing party and shall cause an authorized officer of Recipient to certify to such return or destruction in writing. The preceding Confidential Information return and destruction provision shall not apply to Marvell for any Licensed Product that Marvell is allowed to continue manufacturing, selling or supporting under the terms of Section 8. The confidentiality undertakings under this Section 7 shall survive termination of this Agreement for any reason whatsoever and shall continue to apply in full force and effect for as long as the Confidential Information is a trade secret of the disclosing party and has not become public domain.

7.4 For the purposes of selling any Licensed Product, either Marvell or EZchip, as the case may be, may disclose to any of its respective present or potential customers (i) the specifications, data sheets, application notes and white papers relating to the Licensed Product and Licensed Software, and (ii) any other Confidential Information of the other party that is clearly identified in an exhibit to the applicable SOW as information which may be so disclosed. The disclosure of any other Confidential Information not expressly described in said exhibit shall require the receipt of the express prior written consent of the owner of such Confidential Information, which consent shall not be unreasonably withheld. The party disclosing Confidential Information of the other party (including the specifications, data sheets, application notes and white papers relating to the Licensed Product and Licensed Software) shall require each such present or potential customer to be bound in writing to confidentiality restrictions for such Confidential Information at least as protective as the terms of this Agreement. In the case of Marvell disclosing EZchip's Confidential Information to Marvell's customers or potential customers, Marvell shall take reasonable measures to enforce the confidentiality restrictions undertaken by such customers or potential customers with respect to EZchip's Confidential Information. In the case of EZchip disclosing Marvell's Confidential Information to EZchip's customers or potential customers, the applicable customer or potential customer must be a party to a nondisclosure agreement directly with Marvell or an Affiliate of Marvell. Without derogating from the foregoing, any such disclosure shall be limited in scope to that Confidential Information which, by its nature, is deemed by the party which discloses the information to be required to be disclosed to its customers to complete sales of its products.

8. TERM AND TERMINATION.

8.1 This Agreement shall commence on the Effective Date and it and its terms shall continue in effect until terminated in accordance with this Section 8 (the "Term").

8.2 Either party may terminate this Agreement in its entirety or with respect to any Licensed Product if:

(i) With respect to a particular Licensed Product or the entire Agreement, the other party materially breaches the Agreement and fails to remedy such breach within thirty (30) days after the terminating party's written notice of such breach and demand for a cure thereof. The parties agree that a material breach shall include, but not be limited to, a party's failure to perform its development obligations under an SOW, which materially and adversely impacts the functionality of such Licensed Product;

(ii) the other party becomes insolvent or makes a general assignment for the benefit of its creditors or dissolves, except where such dissolution results directly from a corporate reorganization which such reorganization results in the holders of a majority of the dissolving party's voting securities - prior to such reorganization - (i) continuing to hold at least 51% of the voting securities of the entity surviving of such reorganization, or (ii) holding substantially all of the assets of the dissolving party and continuing to operate the business of the dissolving party;

(iii) a voluntary or involuntary petition or proceeding is commenced by or against the other party under the Federal Bankruptcy Act or any other statute of any state or country relating to insolvency or the protection of the rights of creditors, or any other insolvency or bankruptcy proceeding or other similar proceeding for the settlement of such party's debt is instituted and is not dismissed within 60 days from the date of such filing;

- (iv) a receiver of all or substantially all of the other party's property is appointed; or
- (v) if the other party fails to deliver conforming Deliverables in accordance with the provisions of Section 2.2 hereof.

8.3 Marvell may elect to terminate this Agreement in its entirety or with respect to any Licensed Product if:

- (i) EZchip fails to perform its obligations arising under Section 10 herein, and such failure is not cured within 45 days after Marvell's written notice and demand for cure thereof;
- (ii) EZchip materially fails to perform its support obligations arising under Section 5 hereof and such breach is not cured within 30 days after Marvell's written notice. In the event EZchip materially fails to perform its support obligations arising under Section 5 hereof after the occurrence of a "M&A Transaction," as defined herein, and such failure is not cured within 10 business days after Marvell's written notice and demand for cure, then Marvell may elect to terminate this Agreement or may elect to continue this Agreement with respect to any Licensed Product and concurrently exercise its rights under Section 10; or
- (iii) EZchip merges with or into a third party, as a result of which holders of EZchip's equity securities prior to the merger hold less than 50% of the equity securities of EZchip after the closing of such merger; or, EZchip sells all or substantially all of its assets to a third party (jointly, an "M&A Transaction").

8.4 Except as expressly limited by this Agreement, termination of this Agreement under this Section 8 will be without prejudice to any other remedy, which may be available to a party under applicable law. Upon any termination of this Agreement, Marvell shall be entitled to exercise the license rights granted in Section 4 for any and all Licensed Products that are in development or in production as of the effective date of termination of this Agreement, in addition to any Escrow License granted to Marvell under the terms of Section 10 hereof.

The following sections of this Agreement shall survive any termination hereof: 1, 4 (subject to payment of Royalties), 5.1 (as set forth therein), 6, 7, 10 (solely for the purpose of exercise of the escrow rights in case of termination due to a Release Event), 11 and 12. The parties further agree that the provisions of Section 9.3 shall survive any termination of this Agreement with respect to all customers and programs affected thereunder.

9. EXCLUSIVE MARKETING UNDERTAKING.

9.1 EZchip and Marvell agree that they will cooperate in marketing and selling the Licensed Products solely to customers identified on Exhibit E (the "Identified Customers") and for those design programs additionally identified in Exhibit E (the "Identified Programs"). The list of Identified Customers and Identified Programs shall be amended from time to time upon the mutual written agreement of the parties. During each quarter of the Term, EZchip and Marvell will in good-faith cooperate with each other on an on-going basis in order to develop and obtain all sales opportunities for all available enterprise-type design opportunities for each Licensed Product for each potential customer thereof, including the Identified Customers and non-Identified Customers with the intent to add to the list of Identified Customers and Identified Programs on Exhibit E in order to meet the requirements of potential customers.

9.2 During the period commencing on February 2, 2006 and ending on February 2, 2007 (the "Exclusivity Period"), EZchip shall not grant rights to any semiconductor vendor other than Marvell to sell EZchip's NP-2 or NP-3 network processors, provided that the foregoing exclusivity shall not apply to customer designs existing as of the Effective Date. During the Exclusivity Period Marvell will not develop (independently or with others), sell, resell, license or otherwise sell to its customers any network processor devices other than EZchip's network processor devices, provided that the foregoing exclusivity shall not apply to customer designs existing as of the Effective Date, security processors or network processors developed internally by the Marvell customer.

9.3 [*]

10. ESCROW AND MARVELL'S ESCROW RELEASE RIGHTS.

10.1 Contemporaneously with the execution of this Agreement, the parties shall execute a three-party escrow contract in the mutually acceptable form attached as Exhibit G hereto with a designated professional technology escrow agent (the "Escrow Agreement"). All costs related to the execution and maintenance of escrow services hereunder shall be borne by Marvell.

10.2 Beginning on the Effective Date and continuing thereafter during the Term, EZchip shall continue to deposit the "Escrowed Technology" with the designated escrow holder in accordance with the provisions of this Section 10 and Escrow Agreement. For purpose of clarity, termination of the Agreement shall not relieve EZchip of its duties to deposit the Escrowed Technology in accordance with the terms of this Agreement.

* This portion of the agreement has been omitted pursuant to a Request for Confidential Treatment under Rule 24b-2 of the Securities Exchange Act of 1934. The complete agreement, including the portion for which confidential treatment has been requested, has been filed separately with the Securities and Exchange Commission.

10.3 The parties agree that upon the occurrence of a "Release Event," as defined herein, the escrow holder shall release the Escrowed Technology for the Licensed Product giving rise to the occurrence of the Release Event to Marvell according to the terms of the Escrow Agreement, and upon such release, Marvell shall automatically be granted the Escrow License provided for in Section 10.7 herein which shall remain in full force and effect until such date as the Release Event is cured.

10.4 For purposes of this Section 10 and this Agreement, a "Release Event" means termination of the Agreement by Marvell under Section 8.2(ii), Section 8.2(iii), Section 8.2(iv) or the second sentence of Section 8.3(ii).

10.5 "Escrowed Technology" means the GDS (Graphic Design Specifications) and other technical and other manufacturing information and know-how, reasonably required in order to manufacture the Licensed Products.

10.6 Commencing on the Effective Date and continuing thereafter during the Term hereof, EZchip shall, upon completion of material development milestones and also once every 120 days, deliver current and updated versions of the Escrowed Technology to the designated escrow holder in accordance with the provisions of this Agreement and the Escrow Agreement. The parties agree that all such Escrowed Technology and updates thereon shall be released from escrow and delivered to Marvell in accordance with the provisions of this Agreement and the Escrow Agreement.

10.7 Escrow License. Upon the occurrence of a Release Event and until such Release Event is cured, Marvell and its Affiliates shall be granted a non-transferable license under all of EZchip's Intellectual Property Rights embodied in the EZchip Deliverables to manufacture, have manufactured, sell, support, import, export, exhibit, offer to sell, demonstrate, publicly display or otherwise distribute through multiple tiers of distribution the EZchip Deliverables as and to the extent such are incorporated into such Licensed Product (the "Escrow License"). The foregoing limited license shall (i) be subject to Marvell's full compliance with the applicable provisions of the Agreement (including, but not limited to, the Royalty or other payment terms, restrictions on the identity of the purchaser of the Licensed Product, restriction on the use of EZchip Deliverables and EZchip's Intellectual Property Rights, provisions relating to the protection of EZchip's Intellectual Property). To the extent applicable, the provisions of Sections 5.1 and 6 (Financial Obligations) and the provisions of Exhibits F (Royalties) and C (Support) shall apply to such activities during the occurrence of a Release Event.

10.8 Except for the licenses granted herein, no other licenses or rights are granted by one party to the other, whether by estoppel, implication or otherwise. The parties agree that the Escrowed Technology will not be used or incorporated in any other device other than a Licensed Product and may not be used other than in the manner and for the purposes expressly set forth in this Agreement.

10.9 Upon the occurrence of a Release Event, EZchip shall use its best efforts to ensure Marvell is allowed to fully exercise its Escrow License with respect to the Escrowed Technology and is supported in accordance with the requirements of Section 5 and Exhibit C until the Escrow License expires or terminates, if such license expires or terminates before such preceding times. During the 24 months after the date of the Release Event and to the extent applicable, EZchip agrees to provide Marvell with problem determination aids, test suites and source code, architecture and micro-architecture design documents, test software/setup/environment and any other associated documentation (including hardware and software design documentation and end user documentation), all schematics, blueprints, parts lists, and all other data, information and documentation necessary for Marvell to exercise the Escrow License granted herein.

10.10 For 24 months after the date of the Release Event and to the extent applicable EZchip shall furnish Marvell with basic consultation, training and technical assistance, including but not limited to, training and assistance on the training material and product documentation for the EZchip Deliverables, as part of fully transferring EZchip's know how regarding the EZchip Deliverables and each Licensed Product, subject, however, to the confidentiality undertakings hereunder and to the scope of the Escrow License granted in this Section 10.

11. INTELLECTUAL PROPERTY INDEMNIFICATION.

11.1 Within the limitations set out in Section 11.2, each party ("Indemnitor") will defend or settle any suit or proceeding brought against the other party (the "Indemnitee") based upon a claim that Indemnitee's use or distribution of any of technology, materials or deliverables supplied by the Indemnitor under this Agreement ("Indemnified Technology") as authorized hereunder and in the form provided hereunder infringes or misappropriates the Intellectual Property Rights of a third party, and the Indemnitor will pay the damages and costs finally awarded against Indemnitee up to the limits set forth in Section 11.2, so long as: (i) Indemnitor is notified promptly in writing of such claim (provided that the failure to give such notice shall only relieve Indemnitor of its indemnity obligations hereunder if and to the extent that such failure materially prejudices Indemnitor), (ii) Indemnitor is granted the right to control the defense and settlement of the claim, and (iii) Indemnitee cooperates reasonably, and gives all necessary authority, information and assistance to Indemnitor (at Indemnitor's expense). Notwithstanding the foregoing, an Indemnitor is not obligated to indemnify any claim to the extent such claim arises out of (a) a combination of the Indemnified Technology with devices or programs not supplied by the Indemnitor, provided that the Indemnified Technology would not infringe or misappropriate but for such combination; or (b) a modification, alteration or amendment of the Indemnitor's Indemnified Technology by a party other than Indemnitor. The Indemnitee shall use commercially reasonable efforts to modify and replace any technology, materials or deliverables that are alleged to be infringing.

11.2 Indemnitor shall not be responsible for any costs, expenses or compromise incurred or made by Indemnitee without Indemnitor's prior written consent. If a suit or other proceeding has been filed, or it reasonably appears that one will be filed or that an injunction shall issue, Indemnitor shall promptly give written notice thereof to Indemnitee. Indemnitor may, in its sole discretion and at its own expense, procure for Indemnitee the right to continue using the Indemnified Technology, replace the Indemnified Technology with non-infringing technology, materials or deliverables of equivalent performance or modify such technology, materials or deliverables so that they become non-infringing but remain equivalent in performance. The foregoing states the entire obligation and exclusive remedy of each of the parties hereto with respect to any alleged infringement of the Intellectual Property Rights of any third party by any technology, deliverables or materials furnished hereunder.

12. MISCELLANEOUS.

12.1 The relationship between the parties will be that of independent contractors. Nothing contained herein will be construed to imply a joint venture, principal or agent relationship, or other joint relationship, and neither party will have the rights, power or authority to create any obligation, express or implied, on behalf of the other.

12.2 The validity, construction, performance and enforcement of this Agreement shall be governed by and interpreted in accordance with the laws of the State of California, USA, without regard to conflicts or laws provisions. Each party hereby consents to jurisdiction and venue in the state and federal courts in Santa Clara County, California or the courts of the state of Israel, wherever any dispute arising hereunder is first initiated.

12.3 Neither party may assign or transfer this Agreement nor any benefit thereof without prior written consent of the other party, which such consent may be withheld at such other party's sole discretion. Any assignment or transfer of this Agreement in violation of this Section 12.3 shall be null and void. EZchip agrees to inform Marvell in writing at least ten business days prior to a sale by EZchip or any Affiliate thereof of the EZchip Technology or all or substantially all of the assets held by EZchip and its Affiliates. EZchip agrees to inform Marvell in writing at least ten business days prior to a license by EZchip or any Affiliate thereof of the EZchip Technology or all or substantially all of the assets held by EZchip and its Affiliates.

12.4 If any term or provision of this Agreement shall be found to be invalid, illegal or unenforceable, the validity, legality or enforceability of the remaining terms and provisions will not in any way be affected or impaired thereby.

12.5 Except as specifically provided herein, all notices required hereunder will be in writing and will be given by personal delivery, national overnight courier service, or by U.S. mail, certified or registered, postage prepaid, return receipt requested, to the parties at their respective addresses set forth below, or to any party at such other addresses as will be specified in writing by such party to the other parties in accordance with the terms and conditions of this Section 12:

EZchip Technologies Ltd.

At its above address

Attn:

Marvell

Marvell International Ltd.

At its above address

Attn.: General Manager

Marvell Semiconductor Israel Ltd.

At its above address

Attn: Vice President and General Manager

All notices will be deemed effective upon personal delivery, or if delivery occurs via postal means, five (5) business days following deposit in the mail, or one (1) business day following deposit with any national overnight courier, or immediately upon receipt by facsimile transmission, provided, that, a machine produced transmission acknowledgement establishes such facsimile transmission.

12.6 Neither party will be liable to the other for delays or failures in performance resulting from causes beyond the reasonable control of that party, including, but not limited to, acts of God, labor disputes or disturbances, material shortages or rationing, riots, acts of war, governmental regulations, communications or utility failures, or casualties (each, a "Force Majeure"); provided that the delayed party: (i) gives the other party prompt written notice of such cause and (ii) uses its reasonable efforts to correct such failure or delay in performance caused thereby.

12.7 This Agreement may be executed in one or more counterparts, each of which will be deemed an original, but all of which collectively will constitute one and the same instrument.

12.8 This Agreement, including all Exhibits (which shall be mutually agreed by the parties, acting reasonably), reflects the entire Agreement of the parties regarding the subject matter hereof, and supersedes all prior or contemporaneous understanding or agreements between the parties, whether written or oral. This Agreement will not be amended, altered or changed except by written agreement signed by both parties. Any waiver of compliance with any obligation, covenant, agreement, provision or condition of this Agreement or consent pursuant to this Agreement shall not be effective unless evidenced by an instrument in writing executed by the party to be charged. Any waiver of compliance with any such obligation, covenant, agreement, provision or condition of this Agreement shall not operate as a waiver of, or estoppel with respect to, any subsequent or other non-compliance. This Agreement is executed in the English language.

12.9 IF ANY PARTY TO THIS AGREEMENT IS FOUND LIABLE (WHETHER UNDER CONTRACT, TORT OR OTHERWISE), THE CUMULATIVE LIABILITY OF SUCH PARTY FOR ALL CLAIMS WHATSOEVER ARISING OUT OF THIS AGREEMENT SHALL NOT EXCEED THE SUM OF (a) ANY UNPAID AMOUNTS DUE AND PAYABLE BY THE BREACHING PARTY UNDER THE AGREEMENT, AND (b) (i) AT ANY TIME WITHIN FOUR (4) YEARS AFTER THE EFFECTIVE DATE, THE TOTAL OF THE AMOUNTS PAID BY MARVELL TO EZCHIP HEREUNDER DURING THE TWELVE (12) MONTHS PRECEDING THE EVENT GIVING RISE TO SUCH LIABILITY, OR (ii) AT ANY TIME FOUR (4) YEARS OR MORE AFTER THE EFFECTIVE DATE, THE TOTAL OF THE AMOUNTS PAID BY MARVELL TO EZCHIP HEREUNDER DURING THE TWENTY-FOUR (24) MONTHS PRECEDING THE EVENT GIVING RISE TO SUCH LIABILITY.

NEITHER PARTY SHALL BE LIABLE TO THE OTHER OR ANY THIRD PARTY FOR ANY INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES OR PUNITIVE DAMAGES, INCLUDING, WITHOUT LIMITATION, ANY LOSS OR DAMAGE TO BUSINESS EARNINGS, LOST PROFITS OR GOODWILL, LOST OPPORTUNITIES AND LOST OR DAMAGED DATA OR DOCUMENTATION, SUFFERED BY ANY PERSON, ARISING FROM AND/OR RELATED WITH AND/OR CONNECTED TO THIS AGREEMENT, EVEN IF SUCH PARTY IS ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. THE PARTIES HEREBY DISCLAIM ALL WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE AND NONINFRINGEMENT REGARDING ANY DELIVERABLE OF A PARTY PROVIDED HEREUNDER.

IN WITNESS WHEREOF, as of the Effective Date, the parties have caused this Agreement to be executed by their duly authorized representatives as provided for below:

“EZchip”

“Marvell”

EZCHIP TECHNOLOGIES LTD.,

MARVELL INTERNATIONAL LTD.

An Israeli corporation

By: /s/ Eli Fruchter

By: /s/ Carol Feathers

Name: Eli Fruchter

Name: **CAROL FEATHERS**

Title: CEO

Title: **GENERAL MANAGER**

“Marvell”

MARVELL SEMICONDUCTOR ISRAEL LTD.

By: /s/ Authorized Representative]

Name:

Title: VP MSIL G.M.

[The exhibits are included in the Amendments to this Agreement which are being filed separately with the Securities and Exchange Commission.]

CONFIDENTIAL

**AMENDMENT TO TECHNOLOGY DEVELOPMENT, LICENSE AND
MANUFACTURING AGREEMENT**

This Amendment (this "Amendment") amends the Technology Development, License and Manufacturing Agreement dated April 12, 2006 as amended to date (the "Master Agreement") by and between **MARVELL INTERNATIONAL LTD.**, a Bermuda corporation, with offices at Argyle House, 41a Cedar Avenue, Hamilton, HM 12, Bermuda, **MARVELL SEMICONDUCTOR ISRAEL LTD.**, an Israeli corporation, with offices at 6 Hamada Street, Mordot HaCarmel Industrial Park, Yokneam, Israel 20692 (Marvell International Ltd. And Marvell Semiconductor Israel Ltd. are collectively referred to as "Marvell") and **EZCHIP TECHNOLOGIES LTD.**, an Israeli corporation with offices at 1 Hatamar Street, PO Box 527, Yokneam 20692, Israel ("EZchip"). This Amendment to the Master Agreement is by and between Marvell and EZchip and is effective as of September __, 2006 (the "Amendment Effective Date").

RECITALS

- A. Marvell and EZchip entered into that certain Master Agreement whereby the parties can agree in writing to SOWs to establish responsibilities of the parties with regard to Licensed Products to be added to the Master Agreement.
- B. Marvell and EZchip now wish to amend the Master Agreement to add an SOW and other exhibits to the Master Agreement necessary to perform such new SOW for the [*] Licensed Product as described in the attached SOW and exhibits.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and the mutual promises and covenants contained in this Amendment:

1. To amend the Master Agreement by adding the attached Exhibits A, B, C, D, E, F, G and H to the Master Agreement. The attached Exhibits relate solely to the [*] Licensed Product described in the attached Exhibits.
2. Except for the amendments set forth above, all other terms and conditions of the Master Agreement shall remain the same. Any defined terms used herein but not defined in this Amendment shall have the meanings, if any, provided in the Master Agreement.

* This portion of the Agreement has been omitted pursuant to a Request for Confidential Treatment under Rule 24b-2 of the Securities Exchange Act of 1934. The complete Agreement, including the portions for which confidential treatment has been requested, has been filed separately with the Securities and Exchange Commission.

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IN WITNESS WHEREOF, the parties have executed this Amendment as of the Amendment Effective Date.

“EZchip”
EZCHIP TECHNOLOGIES LTD.,
An Israeli corporation

“Marvell”
MARVELL INTERNATIONAL LTD.

By: /s/ Eli Fruchter
Name: Eli Fruchter
Title: CEO

By: /s/ Carol Feathers
Name: **CAROL FEATHERS**
Title: **GENERAL MANAGER**

“Marvell”
MARVELL SEMICONDUCTOR ISRAEL LTD.

By: /s/ [Authorized Representative]
Name:
Title:

EXHIBIT A

[*] SOW

I. GENERAL

This SOW is governed by the Master Agreement and the terms of this SOW relate solely to the [*] Licensed Product described herein.

1. Both parties will work together to co-develop [*] for the purpose of providing higher density programmable solutions for the customers.
2. Product definition will be done together by Marvell and EZchip.
3. This product should be based on latest EZchip NP Core with the required modifications to be defined by Marvell & EZchip.
4. Additional requirement following the final PRD to be commonly agreed between both parties.
5. Marvell has option to give their part of work to subcontractors if needed, all subject to the provisions of the Master Agreement.
6. Notwithstanding Section 2.1 of the Master Agreement, Marvell has option to give their part of work to subcontractors if needed, subject to compliance by such sub-contractors with Marvell's confidentiality undertakings towards EZchip. Marvell shall consult with EZchip on the subcontractor selection.
7. EZchip agrees to work with Marvell in good faith to meet Cisco's requirements for cost reduction for the [*] Licensed Product as described in the Business Term Agreement between EZchip, Marvell and Cisco Systems, Inc. ("Cisco").
8. In any case of contradiction between the Master Agreement and this Amendment or any of the following Exhibits, the express provisions of this Amendment shall prevail only with respect to the [*] Licensed Product.

II. [*] DESIGN STRUCTURE

1. [*] -**Top (chip level)** – the integration of all components to whole chip will be under EZchip responsibility
2. [*] -**Core:** Based on latest 90nm NP core with all required modifications to define by EZchip and Marvell.
3. [*] -**IF**
 1. XAUI - Serdes I/F
 2. DRAM I/F: IO+PUP
 3. TCAM I/F: IO+PUP
 4. SRAM I/F: IO+PUP
 5. PCI-E I/F: SerDes
 6. Misc I/F
 7. SGMII – Serdes I/F
4. **Padout, Jtag, PLL**

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III. PROGRAM MANAGEMENT

The Parties shall create a coordination team (“**Coordination Team**”) to oversee the implementation of this SOW and to constitute the primary vehicle for communication, decision-making and executive management of the Statement of Work.

The Coordination Team shall comprise of the Project Managers of the Parties, and any other representatives as agreed between the Parties. Each Party shall appoint a Project Manager. The Project Managers shall conduct status meetings regularly (at least on a weekly basis) either by teleconferences or face-to-face meetings. Such status meetings shall include, among others, the exchange of technical information, the activity under, and the performance of, this SOW, and the progress of the Services. The Coordination Team shall keep formal minutes of its meetings.

Among the responsibilities of the Coordination Team are the resolution of matters concerning the performance of this SOW, such as technical problems, and progress issues. The Coordination Team shall review changes, and shall ensure they are within the framework of the of this SOW. The Coordination Team shall have full and constant visibility on the process and information,

During the entire term of this SOW, Marvell’s Project Manager (or a representative on its behalf) shall be entitled to visit EZchip’s facilities in order to inspect and evaluate EZchip’s progress and to ensure that such progress is compatible with the Requirements, and with Marvell’s quality assurance; provided however, that Marvell shall provide EZchip with reasonable prior notice, and that the visit shall take place during regular business hours.

1. Marvell and EZchip will jointly develop a detailed execution plan including schedule for the major activities, milestones, reviews and deliverables submission dates,
2. Marvell and EZchip shall provide each other with Weekly Status Reports that will cover the week’s Work focus/accomplishments and issues.
3. EZchip acknowledges that time is of the essence in the performance of the development. EZchip shall notify Marvell promptly of any factor, occurrence, or event coming to its attention that may affect its ability to substantially perform the development, or that is likely to occasion any material delay in delivery of Deliverables. Such notice shall be given, without limitation, in the event of any loss or reassignment of key employees, threat of strike, or major equipment failure. In any such event, the parties shall attempt to reach a prompt resolution which would allow to nevertheless meeting the schedule. In such an event, EZchip shall treat Marvell as a most favored customer.
4. EZchip will update Marvell with any bug or violation discovered on any of EZchip’s products that has relevance to the [*] core based on previous generation of Network Processors, and shall take all measures reasonably required in order to immediately resolve any such bug or violation.
5. Marvell will update EZchip with any bug or violation discovered in the XAUI, and PCI-E or any other cores that has relevance to the [*] device, and shall take all measures reasonably required in order to immediately resolve any such bug or violation.
6. During, and upon the completion of, the implementation of the Services, Marvell shall be entitled to conduct reviews and/or acceptance testing which Marvell deems necessary in order to verify whether the Development and/or Deliverables conform to all of the specifications and the Requirements.

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7. EZchip hereby represents and warrants is, and will be, the sole author of all the [*] Deliverables, and that neither the Development nor the [*] Deliverables will in any way infringe any third party's rights, including the intellectual property rights. Without limiting the foregoing, EZchip shall be responsible to ensure that Marvell receives any licenses, other than licenses of third party tools, required to enable Marvell to utilize the EZchip Deliverables under the terms of the Master Agreement.

IV. [*] DESIGN FLOW

RTL / Coding

[*]

[*] - Interfaces

[*]

V. BACK END AND LAYOUT

[*]

VI. PRE-SILICON VERIFICATION

[*]

VII. DESIGN FOR TESTABILITY (DFT) AND DESIGN FOR VALIDATION (DFV)

[*]

VIII. PACKAGE DESIGN

[*]

IX. POST SILICON FUNCTIONAL VALIDATION (CHIP & SYSTEM)

[*]

X. POST SILICON ELECTRICAL VALIDATION

1. Marvell will be responsible for the electrical validation test plan definition and execution according to Marvell flow and provide EZchip with all results.
2. Post silicon electrical validation may be done on the validation platform designed by EZchip. This platform will be designed following Marvell hardware design guidelines to enable testing of all [*] functional and electrical aspects. Additional to this, the validation platform will include all the hooks needed for the electrical validation as defined by Marvell.

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3. Marvell has the right to design and manufacture its own platform to be used for electrical validation or demo purposes. This system may be based/derived from the system designed by EZchip, as decided by Marvell.
4. EZchip will provide to Marvell all design and production files needed to manufacture the [*] validation card and any other platform previously designed by EZchip that will be used for the [*] validation.
5. EZchip will provide all required support and information to enable the [*] electrical validation including the required test suites for functional stress.
6. Marvell has the option to buy all validation platforms from EZchip at systems/cards building costs +10% and excludes man hours up to 15 platforms. Beyond the first 15 platforms, Marvell has the option to buy additional platforms at system/cards building costs +20% and excludes man hours.
7. EZchip commits to supply the above platforms in a period of 3 months from the time the order was placed.
8. Regardless the indicated above, EZchip will provide to Marvell according to the cost specified in the previous item, four full validation platforms to be used for the electrical validation. These platforms will be delivered in stable working conditions by EZchip experts at Marvell lab including, but not limited to:
 - a. [*] development boards
 - b. Chassis or any other platform needed to run the [*] development boards
 - c. Power supplies
 - d. Cables
 - e. Initialization files
 - f. User manual
 - g. Application software
 - h. Drivers
9. The validation platforms will be delivered no later than two weeks after Marvell delivered the required [*] devices to EZchip.
10. Marvell will share the electrical validation results with EZchip.
11. EZchip will provide at the above mentioned cost, 4 additional [*] validation boards to be populated with corner devices.
12. EZchip experts will provide training at Marvell facilities to Marvell engineers on the validation platforms upon platforms delivery.
13. EZchip will provide and support any SW driver needed to run the electrical validation environment (See S/W section)

XI. POST SILICON TEST PROGRAM (TESTER)

1. Marvell will be responsible for Test Program development and Q&R testing. EZchip will support the Test Program development.
2. Testing location and the type of tester will be selected by Marvell.
3. Test Vector Generation and debugging at the tester is EZchip responsibility except for the ATPG vectors generation and debug that is under Marvell responsibility.
4. Marvell will be responsible for the vectors conversion and release to the production test floor.

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5. EZchip will provide all required support and information to Marvell to enable test and qualification infrastructure development – such as test h/w, BI h/w and any other h/w required for product ramp and qualification.

XII. POST SILICON – QUALITY AND RELIABILITY

1. Marvell will be responsible for the quality and reliability testing of the
2. Marvell will conduct any required failure analysis.
3. EZchip and Marvell shall support each other for failure analysis and corrective action implementation upon need (logic analysis, electrical analysis, and test enhancement), this in line with Marvell's FA standard response time, and in accordance with Section 5 of the Master Agreement. This applies to: qualification failures, customer returns and yield enhancement activities.
4. EZchip will provide all information and engineering support required to bring up the qualification infrastructure.
5. Each company will be responsible to support its customers' FAs.

XIII. SOFTWARE

1. EZchip will provide training to Marvell on the [2] drivers and its architecture.
2. EZchip will develop application SW needed for Demo systems as agreed with Marvell marketing.
3. EZchip will supply required S/W and tools developed by EZ Chip to perform the Electrical Validation as will be defined by Marvell.

XIV. APPLICATION SUPPORT

1. Marvell will directly support its customers on any electrical, thermal and quality related issues.
2. EZchip will be responsible for application, training and customer support for the [*] for functional, architecture and performance related issues and for all SW related issues.
3. EZchip is responsible for all the firmware, driver and architectural related collateral issues, training and customer bring-up.
4. Marvell will provide support to EZchip team on any hardware, electrical, thermal or quality related issues coming from EZchip customers.
5. EZchip will respond promptly to support Marvell customers and Marvell field/sales teams with issues related to proactive and reactive support events in accordance with Exhibit C.

XV. DOCUMENTATION AND COLLATERALS

- EZchip and Marvell will work together to close the [*] definition.
- EZchip will create and deliver to Marvell the [*] functional specification including the internal and external register tables.

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- Marvell will provide to EZchip all the register and configuration related to the Marvell IP integrated in the [*].
- EZchip will share with Marvell all the previous NP relevant appNotes that apply to [*]
- EZchip will deliver the below listed documents in the standard EZchip format and will embed the Marvell logo, cover page, address page and disclaimer in the documents. EZchip will refer to the Marvell Doc Number and Product Number within these documents.
- The flow to migrate EZchip collaterals to final [*] files will be defined by EZchip and Marvell.
- EZchip will create, release and maintain the following documentation and collateral for the [*]:
 1. Product Brief
 2. Functional Specification
 3. Application Notes/Technical Bulletins
 4. Errata
 5. Reference Design/Development Board User Manual and Jumper Settings
 6. Reference Design/Development Board Schematics and BOM
 7. Reference Design/Development Board Schematics checklist
 8. Software driver's user manual including the description of the driver functionality and the driver architecture.
 9. Software User Manual (APIs, drivers), SW release notes
- Marvell will create, release and maintain the following documentation and collateral
 1. Datasheet (Hardware Specification)
 2. Hardware Design Guide
 3. IBIS
 4. BSDL
 5. Hardware, Electrical and Thermal Application Notes/Technical Bulletins (if required)
 6. Ballout
- EZchip will supply Marvell with the above mentioned end-user customer collateral and documentation. This collateral and documentation content will be agreed by EZchip and Marvell. These documents will be provided by EZchip in editable soft copy.
- Marvell will be authorized to distribute the above listed collateral and documentation to Marvell customers. Marvell will be authorized to distribute the collateral under the EZchip marking and branding OR repurpose the information so that it bears all or any of the following: Marvell marking (logo) and branding, Marvell marketing part number, Marvell cover page.
- Any documentation released to Marvell customers will be done exclusively by Marvell and according to its documentation release flow.
- Marvell has the option to request that EZchip supply the above collateral bearing the Marvell marking (logo) and branding, marketing part number, Marvell cover page.

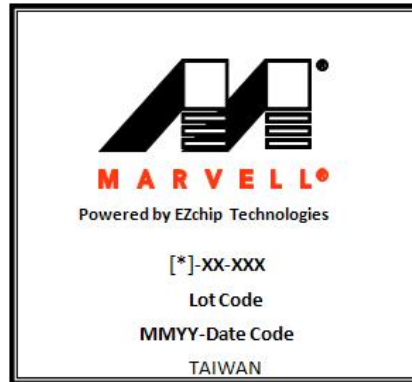
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- Each party is responsible for release of all respective collateral and documentation updates and revisions, in a timely manner and according to a release schedule agreed upon by Marvell and EZchip.

XVI. Manufacturing:

The [*] IC will be manufactured by Marvell and will be branded with the following Marvell –EZchip Trademarks. Marvell Logo will include the following reference to EZchip: “Powered by EZchip Technologies”. Marvell may, at its discretion, change such marking, provided it keeps the reference and proportions to EZchip unchanged.



1. Marvell will provide[*] samples to EZchip to be used in the chip validation.
2. EZchip and Marvell will track and investigate the root cause of anomalies and silicon bugs. Both companies will jointly determine the priority and which ones need to be fixed before production release
3. EZchip and Marvell will work to provide functional silicon to meet product requirements. This may include subsequent metal steps or full steps of the silicon. The parties agree to use their mutual best efforts to complete any required metal steps or full steps of the silicon on an expedited basis
4. Marvell and EZchip will work together on any yield improvement and enhancement issues.
5. EZchip will provide forecast for EZchip customers' device requirements. The forecast will be delivered at a format and lead-time agreed with Marvell.

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6. Manufacturing flow and platforms will be determined by Marvell.

XVII. CERTAIN DELIVERABLES

1. Marvell will provide the following Marvell Deliverables, to be integrated by EZchip in the [] Licensed Product model for simulation and Netlist closure purposes:

[*]

2. The Deliverables to be provided by each party, as set forth on Exhibit B, shall be deemed to be Marvell Deliverables or EZchip Deliverables (depending on the providing party) for purposes of this SOW.

XVIII. EXCLUSIVE CISCO FEATURES

The parties agree that, subject to written agreement between Marvell, EZchip and Cisco Systems, Inc. or a corporate affiliate of Cisco Systems, Inc. (collectively, "Cisco Systems"), the following features to be included in the [] Licensed Product will be exclusive to Cisco Systems for the exclusivity period set forth below such that during the applicable exclusivity period neither party will allow customers other than Cisco Systems to use, access or enable the applicable exclusive feature in a network processor device provided by such party. The exclusivity terms set forth in this section of this SOW shall only be effective when agreed upon in writing by Marvell, EZchip and Cisco Systems, and the final exclusivity terms agreed upon in writing by Marvell, EZchip and Cisco Systems will be the only binding terms relating to the exclusive features listed below.

[*]

XIX. COST REDUCTION FOR [] LICENSED PRODUCT

After the [] Licensed Product is in production phase, the parties will use commercially reasonable efforts to provide cost reduction, including without limitation process shrink, for the [] Licensed Product, as shall be reasonably required to meet Cisco's requirements for ongoing efforts to achieve cost reduction for the [] Licensed Product during the life of the [] Licensed Product. If necessary to meet Cisco's requirements, Marvell and EZchip will work in good faith to agree in writing to development deliverables and milestones for cost reduction for the [] Licensed Product, and upon such written agreement, such development deliverables and milestones will be deemed to be incorporated in this SOW.

* This portion of the Exhibit has been omitted pursuant to a Request for Confidential Treatment under Rule 24b-2 of the Securities Exchange Act of 1934. The complete Exhibit, including the portions for which confidential treatment has been requested, has been filed separately with the Securities and Exchange Commission.

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Without derogating from the foregoing, with respect to process shrink for the [x] Licensed Product, if 65nm technology permits shrinking the die for the [*] Licensed Product, then EZchip will provide Marvell with the level of engagement deemed by the parties to be reasonably required and the same level of deliverables for the [*] Licensed Product using 65nm technology as EZchip provides hereunder for the [*] Licensed Product using 90nm technology. Marvell's responsibilities for any such [*] Licensed Product using 65nm technology shall be the same as Marvell's responsibilities hereunder for the [*] Licensed Product using 90nm technology.

* This portion of the Exhibit has been omitted pursuant to a Request for Confidential Treatment under Rule 24b-2 of the Securities Exchange Act of 1934. The complete Exhibit, including the portions for which confidential treatment has been requested, has been filed separately with the Securities and Exchange Commission.

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Exhibit B

Milestones and deliveries

[*]

* This portion of the Exhibit has been omitted pursuant to a Request for Confidential Treatment under Rule 24b-2 of the Securities Exchange Act of 1934. The complete Exhibit, including the portions for which confidential treatment has been requested, has been filed separately with the Securities and Exchange Commission.

EXHIBIT C

SUPPORT

Background and Purpose

This Exhibit C sets forth EZchip's support and training obligations to Marvell and its customers for the Licensed Products. The parties agree that the purpose of this Exhibit C is to ensure that Marvell's customers receive prompt and useful support from EZchip in connection with such customer's purchase and use of any Licensed Product.

To ensure the successful development and sale of the Licensed Products, EZchip commits to provide all engineering and support resources as may be required in order to meet Marvell's customers' needs to each Licensed Product's end of life. Marvell commits similar resources to this end, as well. In accordance with the terms of this Exhibit C, EZchip will commit to assign support resources to be available at locations designated locations sites, whenever such resources are required to meet end customer commitments or requests.

EZchip and Marvell, if appropriate, will release any and all errata for each Licensed Product within one week of discovery thereof, and will share with each other the detailed development progress, risks and mitigation plans for each such erratum. EZchip will fix critical errata on a timely manner

Severity Levels Defined

1.0 DEFINITIONS

- 1.1 Severity 1 Support Request(s) means a customer problem reported to Marvell or EZchip where an immediate EZchip engagement and assistance is required in providing resolution. A Severity 1 situation includes, but is not limited to, any of the following situations:
- A problem which critically impacts the end customer's ability to do business,
 - A customer reports a problem, which such customer designates as a "Severity 1 or Level 1, etc." problem
 - A problem reported by the customer is significantly affecting customer's project time schedule, or
 - The customer's Licensed Product based system is down or severely degraded.

The customer's interpretation of the severity of the problem will always be honored.

1.2 Severity 2 Support Request(s) means a customer problem reported to Marvell where an urgent EZchip engagement and assistance is required in providing resolution. A Severity 2 situation includes, but is not limited to, any of the following situations:

- A problem which impacts the end customer's ability to do business, the severity of which is significant and may be repetitive in nature,
- A customer reports a problem, which such customer designates as a "Severity 2 or Level 2, etc." problem, or
- A function of the customer's Licensed Product based system is impacted which impedes the customer from meeting daily requirements.

The customer's interpretation of the severity of the problem will always be honored.

1.3 Severity 3 Support Request(s) means a customer problem reported to Marvell where a timely EZchip engagement and assistance is required in providing resolution. A Severity 3 situation includes, but is not limited to, any of the following occur:

- A problem, which negligibly impacts end customer's ability to do business,
- A customer reports a problem, which such customer designates as a "Severity 2 or Level 2, etc." problem, or
- Any questions and/or general consultation requested by Marvell or a customer.

The customer's interpretation of the severity of the problem will always be honored.

2.0 2. EZCHIP SUPPORT INCIDENT RESPONSE BY SEVERITY

[*]

3.0 TECHNICAL SUPPORT PROCEDURES

EZchip will be fully responsible for customer support. Any customer request for support will be referred to EZchip support team. Both Marvell and EZchip will specify initial Technical Escalation Contacts, which may be updated from time to time by mutual written agreement of the parties. Such written agreement may be in the form of electronic mail.

3.1 Technical Support Engagement

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To ensure a smooth transition during technical collaboration or escalation, it is essential that all parties remain engaged until the next level is fully engaged, including access to all relevant contact information and technical activity to date.

3.2 Solution Delivery

EZchip will be the primary source of communication with the end customer. Marvell will assist with this communication process as requested. If the problem cannot be reproduced in EZchip's labs, Marvell and the customer will provide EZchip access to the customer's site to allow EZchip's engineering/support staff to debug the problem. Marvell application team will be copied to any correspondence between EZchip and Marvell customers.

3.3 Third Party Dependency

In the event that EZchip is dependent upon a third party to provide support for a product or product component, it is incumbent upon EZchip to establish a written agreement with the third party, such that EZchip is capable of meeting the expectations identified in the Agreement by working through the third party.

4.0 Support Collaboration Guidelines and Resolution Requirements

[*]

5.0 Support Training Requirements

EZchip agrees to provide Marvell with training at a mutually agreeable time and location, which such training shall cover the following information related to [*]:

- Data flow
- Engineering specifications
- New technology primer
- Complete list of erratas
- Error handling
- Trouble-shooting steps/procedures
- Diagnostic capability
- Basic reference design installation/re-installation procedures
- Setup procedures
- Product tests results
- Product White Papers if available

The training may be broken to phases, per Marvell and EZchip agreement

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6.0 EZchip and Marvell Support Materials

EZchip Support Materials

- Option for Marvell to purchase more [*] validation/evaluation platforms from EZchip for agreed price, and within 15 weeks of delivery
- All EZchip's relevant documents will have to be provided in source format (word doc or frame maker) and within a timely manner of any change to these documents
- EZchip to communicate:
 - Any new bug or errata within 1 week from discovery
 - Performance test reports
 - Schematics and reference design in source file (PCB, BRD, SCH files)
- EZchip to provide Test plans
- Software drivers should be kept in version controlled data base

7.0 Travel Agreement

[*]

8.0 Non Solicitation.

During the term of the Master Agreement and for a period of two (2) years following termination hereof, each of Marvell and EZchip agrees that it will not directly or indirectly hire, attempt to hire or encourage the resignation of any employees of the other party, by direct or indirect inducements or otherwise.

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EXHIBIT D

QUALITY REQUIREMENTS

[*]

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EXHIBIT E

IDENTIFIED CUSTOMERS AND IDENTIFIED PROGRAMS

I. Identified Customer and Identified Programs (including next generations of Identified Programs).

- The Identified Programs are defined to include the current and next generation of these product lines.

No.	Company Name	Programs
1	Cisco Systems	1. All programs

II. For purposes of Section 9.3 of the Agreement, all Identified Customers and Identified Programs listed above are exclusive to Marvell.

EXHIBIT F

ROYALTIES, SHARED ENGINEERING FEES, & LICENSE FEES

Applicable to [*] Licensed Product for Cisco Systems Only

I. Royalties

The Royalty for each unit of [*] Licensed Product shall be \$[*] per unit for each unit of the [*] Licensed Product sold by Marvell. These Royalties will apply to any revision of the [*] device for sale to Cisco Systems and its corporate affiliates.

Should market, manufacturing or customer conditions warrant, the companies agree to work in good faith to re-negotiate terms set forth in Exhibit F.

[*]

Notwithstanding the provisions of Section 6.2 of the Technology Development, License and Manufacturing Agreement: Marvell shall provide EZchip with Royalty reports by the 30th day of the month following the month in which units of the [*] Licensed Product were sold, specifying the units of Licensed Products sold to each customer during the period of the report and the respective Royalties due to EZchip from such sales. Notwithstanding the foregoing, Marvell's payment obligations for such Royalties are due on a quarterly basis tied to Marvell's fiscal quarters, with payment of Royalties due for each Marvell fiscal quarter due within thirty (30) days following the end of the applicable Marvell fiscal quarter.

II. Shared Engineering Costs.

Marvell and EZ Chip will invest the appropriate resources to meet their respective development milestones and deliverables. In doing so, the engineering costs and license fees incurred for the two planned versions of the [*] devices, as described in the exhibit B, will be borne by the respective parties. All non recurring engineering costs incurred beyond the two planned versions of [*] will be shared equally between Marvell and EZ Chip.

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EXHIBIT G

Escrow

The parties agree that the following terms shall set forth all of the terms applicable to the escrow arrangement with respect to the [*] Licensed Product sold to Cisco Systems Inc. (and its corporate affiliates) ("Cisco") and will replace the escrow provisions set forth in Section 10 of the Agreement solely with respect to the [*] Licensed Product.

1. For purposes of this Exhibit G, the term "**Release Event**" refers to any of the following events:

1.1. The termination of the Agreement by Marvell due to the occurrence of any of the following:

- 1.1.1. EZchip (a) becomes insolvent or makes a general assignment for the benefit of its creditors, or (b) dissolves, except where such dissolution results directly from a corporate reorganization which results in the holders of a majority of EZchip's voting securities - prior to such reorganization - (i) continuing to hold at least 51% of the voting securities of the entity surviving such reorganization, or (ii) holding substantially all of the assets of EZchip and continuing to operate the business of EZchip;
- 1.1.2. a voluntary or involuntary petition or proceeding is commenced by or against EZchip under the Federal Bankruptcy Act or any other statute of any state or country relating to insolvency or the protection of the rights of creditors, or any other insolvency or bankruptcy proceeding or other similar proceeding for the settlement of EZchip's debt is instituted and is not dismissed within 60 days from the date of such filing;
- 1.1.3. a receiver of all or substantially all of EZchip's property is appointed, and is not removed within 30 days; or
- 1.1.4. EZchip materially breaches the Agreement and fails to remedy such breach within thirty (30) days after receiving a written notice from Marvell with respect to such breach and demand for a cure thereof.

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The parties agree that EZchip's failure to perform its development obligations under the SOW for the [*] Licensed Product (other than due to Marvell's failure to perform its obligations in connection with such development under the SOW), which materially and adversely impacts the functionality or performance of such [*] Licensed Product, or which materially and adversely impacts the Cisco project timeline (as set forth in the three-way agreement between EZchip, Marvell and Cisco) relating to the [*] Licensed Product, shall constitute a material breach of the Agreement.

- 1.2. EZchip materially fails to perform its support obligations arising under Section 5 of the Agreement (Parties' Support Obligations) (other than the delivery of Bug Fixes covered by Section 1.3 below) or materially fails to perform its development obligations under the SOW for the [*] Licensed Product (other than due to Marvell's failure to perform its obligations in connection with such development under the SOW) after the occurrence of (i) an "M&A Transaction" (as defined herein) or (ii) a Change of Control (as defined below) in EZchip, LanOptics Ltd., or any other parent company of EZchip.

For purposes of this Exhibit G, "**M&A Transaction**" means the merger of EZchip with or into a third party, as a result of which holders of EZchip's equity securities prior to the merger hold less than 50% of the equity securities of EZchip after the closing of such merger, or EZchip sells all or substantially all of its assets to a third party, and "**Change of Control**" means a transaction or series of transactions in which EZchip, LanOptics Ltd. or any other parent company of EZchip undergoes a change in the party or parties that directly or indirectly own more than fifty percent (50%) of the voting stock or shares or other form of entity ownership (*e.g.* partnership interests).

- 1.3. EZchip's material and ongoing failure to perform or propose a Bug Fix deemed by Cisco to be required with respect to the [*] Licensed Product, the applicable Deliverables or the applicable Design Materials.
2. Contemporaneously with, or promptly following, the execution of the SOW to which this document is attached as Exhibit G, the parties shall execute a three-party escrow contract (the "**Escrow Agreement**") with a designated professional technology escrow agent (the "**Escrow Agent**"), which agreement shall be in a mutually acceptable form, and shall be attached hereto following its execution.

All costs related to the execution and maintenance of escrow services hereunder shall be borne by Marvell.

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3. Beginning on the date which is ten (10) days from the date on which the Escrow Agreement is executed by all parties, and continuing thereafter during the Term (as defined in the Agreement), EZchip shall continue to deposit the Escrowed Technology (as defined below) with the Escrow Agent upon completion of material development milestones and also within 5 business days following any update to the materials already deposited, in accordance with the provisions of the SOW and Escrow Agreement. Termination of the Agreement other than by EZchip in accordance with the provisions of Section 8.2(i), shall not relieve EZchip of its duties to deposit the Escrowed Technology in accordance with the terms of this SOW for a period of twenty four (24) months following such termination.

For purposes of this Exhibit G, “**Escrowed Technology**” means the GDS (Graphic Design Specifications) and other technical and other manufacturing information and know-how, reasonably required in order to manufacture the [*] Licensed Products, as well as the micro-code, software development environment tools and documentation, encrypted RTL, timing and synthesis scripts, related product collaterals and hardware design and other technical and other manufacturing information and know-how, reasonably required in order for Marvell and its Affiliates to manufacture the [*] Licensed Products, support Cisco with respect to the [*] Licensed Products, create Bug Fixes, either in the IC or its related tools or micro-code for the [*] Licensed Products, perform process shrink on the IC to keep a competitive cost structure for Cisco, which may require re-synthesizing and doing all the backend of the encrypted RTL in new silicon geometry.

The foregoing reference to the GDS and layout database as part of the Escrowed Technology does not change that the GDS and layout database for the [*] Licensed Products are Marvell Deliverables that are owned by Marvell (excluding the EZchip Intellectual Property Rights embodied therein).

4. Upon the occurrence of a Release Event, the following shall occur:
 - 4.1. with respect to the Release Events described in Sections 1.1.1-1.1.3 above (inclusive), Marvell shall be entitled to deliver to the Escrow Agent (with a copy to EZchip), a Release Notice (the “**Release Notice**”) together with an affidavit (the “**Affidavit**”), executed by Marvell, which describes in reasonable detail the Release Event which took place. The Escrow Agent shall be required to promptly confirm the receipt of said Release Notice and Affidavit by EZchip.

As shall be more fully set forth in Escrow Agreement, the Escrow Agent shall be required to release the Escrowed Technology to Marvell within 5 business days following the receipt of the Release Notice.

This Release Event shall be deemed cured only if (i) with respect to Section 1.1.3, EZchip provides Marvell with written evidence of the removal of the receiver, or (ii) EZchip otherwise provides Marvell with sufficient evidence, as shall be determined by Marvell in its reasonable judgment, that the Release Event was cured and that EZchip is able to continue to perform its obligations under the Agreement and the SOW.

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- 4.2. with respect to the Release Event described in Section 1.3 above, EZchip shall have a period of 90 days following the receipt of Marvell's written notice and demand for cure thereof (the "**Bug Fix Cure period**") to cure such failure or to provide a plan (Bug Fix Cure Plan) that describes in detail the resources and extraordinary effort by EZchip to provide a bug fix that is acceptable to Marvell. Marvell shall have the right to audit on a weekly basis the Bug Fix Cure Plan execution and, subject to its confidentiality undertakings towards EZchip, disclose such audits to Cisco. Should it be determined through the audit by Marvell that EZ Chip is not executing to the Bug Fix Cure Plan then Marvell shall be entitled to deliver the Release Notice and Affidavit to the Escrow Agent (with a copy to EZchip). Without derogating from Marvell rights, the Escrow Agent shall be required to promptly confirm the receipt of said Release Notice and Affidavit by EZchip.

As shall be more fully set forth in Escrow Agreement, the Escrow Agent shall be required to release the Escrowed Technology to Marvell within five (5) business days following such notice. Marvell shall be required to return the Escrowed Technology to the Escrow Agent upon the sooner of (a) the date twelve (12) months after the release date, or (b) the date that Marvell makes the applicable Bug Fix and EZchip provides Marvell with written evidence, reasonably acceptable to Marvell, that EZchip has the ability to make future Bug Fixes for the [*] Licensed Product.

- 4.3. with respect to the Release Event described in Sections 1.1.4 and 1.2 above, upon the occurrence of such event, Marvell shall be required to provide EZchip with a written notice informing EZchip of the occurrence of such event in reasonable detail. By no later than 30 days following the receipt of such written notice, EZchip shall be required to provide Marvell with a written plan for the cure of such Release Event (the "**Cure Plan**") which plan must describe in reasonable detail the steps which EZchip intends to take in order to cure such Release Event and the estimated schedule. Marvell shall be entitled to disclose such plan to Cisco.

In the event that EZchip fails to cure such Release Event or provide Marvell and Cisco an acceptable Cure Plan within such thirty (30) day period or EZchip fails to cure the Release Event within the period more fully set forth in an accepted Cure Plan, then Marvell shall be entitled to deliver the Release notice and Affidavit to the Escrow Agent.

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As shall be more fully set forth in Escrow Agreement, the Escrow Agent shall be required to release the Escrowed Technology to Marvell within five (5) business days following Marvell's provision of such notice, and Affidavit. Marvell shall be required to return the Escrowed Technology to the Escrow Agent upon the sooner of (a) the date twelve (12) months after the release date, or (b) the date that Marvell cures the applicable Release Event and, to the extent applicable, EZchip provides Marvell with written evidence, reasonably acceptable to Marvell, that EZchip has the ability to prevent similar Release Events from occurring.

5. Upon the release of the Escrowed Technology by the Escrow Agent to Marvell in accordance with the provisions contained herein and for so long as such Release Event has not been cured by EZchip (or, to the extent applicable, Marvell) (as further set forth herein), Marvell shall be automatically granted a worldwide, royalty bearing, non-exclusive, perpetual, non-transferable license under all of EZchip's Intellectual Property Rights embodied in the EZchip Deliverables, but solely for the purpose of curing the Release Event if the applicable Release Event occurs under Sections 1.1.4, 1.2 or 1.3, and, to the extent applicable, to manufacture, have manufactured, use, complete the development of each relevant incomplete [*] Licensed Product (solely according to its respective SOW), modify for the purpose of completing Bug Fixes, modify for purposes of cost reduction of the [*] Licensed Product, selling, supporting, importing, exporting, exhibiting, offering to sell, demonstrating, publicly displaying or otherwise distributing through multiple tiers of distribution, the EZchip Deliverables as and to the extent such are incorporated into such [*] Licensed Product sold to Cisco and its affiliates (the "**Escrow License**"). It is hereby clarified that notwithstanding anything to the contrary contained herein, any Escrow License shall terminate within 45 days following the cure of the Release Event by EZchip (or, to the extent applicable, Marvell) or (without derogating from the provisions of Section 4.2 and 4.3) the termination of the periods set forth in the second paragraphs of Sections 4.2 and 4.3.
6. The foregoing limited license shall be subject to Marvell's full compliance with the applicable provisions of the Agreement (including, but not limited to, the Royalty, Royalty reports or other payment terms, restrictions on the identity of the purchaser of the [*] Licensed Product (i.e., Cisco), restriction on the use of EZchip Deliverables and EZchip's Intellectual Property Rights, provisions relating to the protection of EZchip's Intellectual Property) and the restrictions contained herein.

To the extent applicable, the provisions of Sections 5.1 and 6 of the Agreement (Financial Obligations) and the provisions of Exhibits F (Royalties) and C (Support) of the Agreement shall apply to such activities following the release of the Escrowed Technology to Marvell and its Affiliates, regardless of whether the Agreement is terminated by Marvell in accordance with the provisions of the Agreement.

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Except for the license granted herein, no other licenses or rights are granted by one party to the other, whether by estoppel, implication or otherwise, and neither Marvell nor any of its Affiliates or customers shall be granted any ownership rights with respect to the Escrowed Technology (including, for the avoidance of doubt, EZchip's Intellectual Property Rights and EZchip Deliverables).

It is hereby clarified that Marvell and its Affiliates shall be prohibited from disclosing any of the Escrowed Technology (including, for the avoidance of doubt, EZchip's Intellectual Property Rights and EZchip Deliverables) to any third party, including but not limited to, Cisco or any other customer of Marvell.

7. Without derogating from the foregoing, the parties agree that the Escrowed Technology will not be used or incorporated in any other device other than a [*] Licensed Product and may not be used other than in the manner and for the purposes expressly set forth in the Agreement.
8. Without derogating from the foregoing, upon the release of the Escrowed Technology to Marvell in accordance with the provisions of this Exhibit G and unless Marvell unreasonably rejected the applicable Cure Plan proposed by EZchip, in accordance with the provisions contained herein, EZchip shall use its best efforts to ensure Marvell is allowed to fully exercise its Escrow License with respect to the Escrowed Technology and is supported in accordance with the requirements of Section 5 of the Agreement and Exhibit C of the Agreement until the Escrow License expires or terminates in accordance with the provisions contained herein. Prior to the earlier to occur of (i) the cure of the Release Event by EZchip (or, to the extent applicable, Marvell) or the termination of the periods set forth in the second paragraphs of Sections 4.2 and 4.3, and (ii) the termination of 24 months after the date of the release of the Escrowed Technology to Marvell in accordance with the provisions contained herein, to the extent applicable, EZchip agrees to provide Marvell with problem determination aids, test suites and source code, architecture and micro-architecture design documents, test software/setup/environment and any other associated documentation (including hardware and software design documentation and end user documentation), all schematics, blueprints, parts lists, and all other data, information and documentation necessary for Marvell to exercise the Escrow License granted herein.

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9. Until the earlier to occur of (i) the cure of the Release Event by EZchip (or, to the extent applicable, Marvell) or the termination of the periods set forth in the second paragraphs of Sections 4.2 and 4.3, and (ii) the termination of 24 months after the date of the release of the Escrowed Technology in accordance with the provisions contained herein, to the extent applicable, EZchip shall furnish Marvell with basic consultation, training and technical assistance, including but not limited to, training and assistance on the training material and product documentation for the EZchip Deliverables, as part of fully transferring EZchip's know how regarding the EZchip Deliverables and the [*] Licensed Product, subject, however, to the confidentiality undertakings of the Agreement and herein and to the scope of the Escrow License granted herein.
10. Marvell acknowledges that the Escrowed Technology to the extent released to Marvell in accordance with the provisions of this Exhibit G, are being provided "AS IS" and EZchip makes no warranties, express, implied or otherwise, regarding such Escrowed Technology.
11. Except as expressly set forth in this Exhibit G, the other terms and conditions of the Agreement shall remain unchanged. All capitalized terms which are not defined herein shall have the meaning attributed to such terms in the Agreement and SOW.

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EXHIBIT H

Marvell will not sell the [*] Licensed Product to EZchip for resell purposes.

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**AMENDMENT #2
To The
Technology Development, License and Manufacturing Agreement**

This Amendment #2 to the Technology Development, License and Manufacturing Agreement (this "Amendment") is entered into effective as of the date last signed by the parties below (the "Effective Date"), between: (i) Marvell International Ltd., a Bermuda corporation, with offices at Argyle House, 41a Cedar Avenue, Hamilton, HM 12, Bermuda, on behalf of itself and its Affiliates, and Marvell Israel (M.I.S.L.) Ltd. (formerly known as Marvell Semiconductor Israel Ltd.), an Israeli corporation, with offices at 6 Hamada Street, Mordot HaCarmel Industrial Park, Yokneam, Israel 20692, on behalf of itself and its Affiliates (collectively "Marvell"), and (ii) EZchipTechnologies Ltd., an Israeli corporation with offices at 1 Hatamar Street, PO Box 527, Yokneam 20692, Israel ("EZchip"). Marvell and EZchip are each a "party" hereto; and collectively, they are the parties" hereto.

Effective as of April 12th, 2006, Marvell and EZchip entered into a Technology Development, License and Manufacturing Agreement (the "Master Agreement") whereby the parties can agree in writing to future projects which establish the responsibilities of the parties with regard to certain Licensed Products to be added to the Master Agreement; and Marvell and EZchip now wish to amend the Master Agreement to add the NP4 Project and the corresponding NP4 Exhibits to the Master Agreement. Unless the context requires otherwise, each capitalized term used in this Amendment but not defined herein shall have the same meaning as defined in the Master Agreement. The parties now wish to amend the Master Agreement on the terms and conditions set forth in this Amendment.

ACCORDINGLY, THE PARTIES HEREBY FURTHER AGREE AS FOLLOWS:

1. Paragraph 1. The term "Marvell" as it is defined in the first sentence of Paragraph 1 shall include the following language: "on behalf of itself and its Affiliates". For the avoidance of doubt, any reference to the term "Marvell" in the Master Agreement shall include any Marvell Affiliate.
2. New Section 6.5. The following section is inserted as Section 6.5:
"EZchip agrees that if Marvell has the legal obligation to collect any value added tax with respect to the performance by Marvell of its NRE obligations or services through Marvell Israel (M.I.S.L.) Ltd., EZchip shall pay the amount of value added tax with respect to such NRE obligations or services, subject to Marvell Israel (M.I.S.L.) Ltd. issuing to EZchip a valid tax invoice for such amount. Currently, it is Marvell's intention that any the Royalty payments will be made by Marvell's Bermuda entity. Accordingly, based on the currently applicable tax laws, regulations and treaties, EZchip will receive the full Royalty amount without withholding or deduction of any kind. Without derogating from this Section 6.5 of the Master Agreement, the parties agree that any Royalty payments due to EZchip with respect to any transaction among EZchip and Marvell or any Affiliate thereof, shall be no less favorable than, and treated as if, such royalty payments are being paid by Marvell's Bermuda entity including without limitation, with respect to tax withholding or deductions of any kind from the royalty payments due to EZchip. Without derogating from the foregoing, should any change in applicable laws, regulations or treaties give rise to any withholding requirement or impose any other tax or duty on such royalty payment which reduces the net Royalty payable to EZchip (other than taxes imposed in Israel or based on EZchip's net income which are EZchip's responsibility), then the parties shall meet and make a good faith attempt to seek alternative solutions which would eliminate the foregoing effect or reduce it to the maximum extent reasonably practicable."

3. The following language is hereby added to the end of Section 8.3(iii):
“; and based on Marvell’s reasonable discretion, said third party is a competitor of Marvell with respect to the subject matter of this Agreement.”
4. Section 9.3. The words “network processors to such Identified Customers for such Identified Programs” are hereby deleted and replaced with the following language:
“Licensed Products as identified in Exhibit E, or network processors that can be used instead of Licensed Products in Identified Program as identified in Exhibit E, to Identified Customers identified in Exhibit E.”
5. New Section 11A. The following section is inserted as Section 11A.
“11A. **INSURANCE**

During the term of this Agreement and for a period of eighteen (18) months following termination hereof, Marvell will maintain a comprehensive product liability insurance policy with a reputable insurance company on an occurrence basis that includes coverage for third party liability coverage for direct property damage or personal injury caused by Marvell to third parties and has a minimum limit of five million (\$5,000,000) U.S. dollars per occurrence or per claim. Within thirty (30) days after EZchip’s request Marvell will furnish EZchip with a certificate of insurance and evidence of the required, paid-up coverage.”
6. Section 12.3. The words beginning with “EZchip agrees to inform Marvell in writing at least ten business days prior.....” until the end of Section 12.3 is hereby deleted and replaced with the following language:

“Except as otherwise expressly limited herein, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the permitted successors and assigns of the parties hereto. Each party agrees to inform the other, in writing at least ten business days prior to a sale or license by such party or any Affiliate thereof, of its Intellectual Property Rights, or belonging to any Affiliate thereof, embodied in such party’s Deliverables and Licensed Products.”
7. Exhibits. Exhibit A-NP4 through Exhibit H-NP4 attached hereto are added to the Master Agreement.

8. Indemnification. Subsection (b) of the second sentence of Section 11.1 is hereby deleted in its entirety and is replaced with the following: “(b) a modification, alteration or amendment of the Indemnitor’s Indemnified Technology by a party other than Indemnitor unless said modification, alteration or amendment is directed or approved by Indemnitor in writing.”

9. General Provisions.

9.1 Full Force and Effect. The parties confirm that, except as modified by this Amendment, the Master Agreement remains in full force and effect in accordance with its terms. If any provision of this Amendment conflicts with any provision of the Master Agreement, then the provisions of this Amendment shall govern and control over the Master Agreement.

9.2 Counterparts. This Amendment may be executed in any number of counterparts, each of which shall be deemed an original, and all of which together shall constitute one instrument. The parties agree that a facsimile of a signed counterpart shall be as effective and have the same force and effect as the original thereof.

10. Royalty Reporting. Notwithstanding the provisions of Section 6.2 of the Master Agreement to the contrary, Marvell shall provide EZchip with Royalty reports by the 30th day of the month following the month in which units of NP3-C (also known as [*] under the Amendment entered into between the parties in September, 2006) and NP4-C are sold, specifying the number of units sold to each customer during the period of the report and the respective Royalties due to EZchip from such sales. Marvell’s payment obligations for such Royalties are also due on a monthly basis, with payment due within sixty (60) days following the end of the applicable month.

11. The following is added to the beginning of Section 12.9:

“EXCEPT IN THE CASE OF INTELLECTUAL PROPERTY INDEMNIFICATION AS SET FORTH IN SECTION 11.1,”

12. The following is added as the first sentence of the second paragraph in Section 12.9:

“EXCEPT IN THE CASE OF INTELLECTUAL PROPERTY INDEMNIFICATION AS SET FORTH IN SECTION 11.1,”

[Signature Page To Follow]

* This portion of the Agreement has been omitted pursuant to a Request for Confidential Treatment under Rule 24b-2 of the Securities Exchange Act of 1934. The complete Agreement, including the portions for which confidential treatment has been requested, has been filed separately with the Securities and Exchange Commission.

Executed effective as of the Effective Date.

MARVELL INTERNATIONAL LTD.

By: /s/ Carol Feathers
Name: Carol Feathers
Title: General Manager
Date: July 29, 2009

EZCHIP TECHNOLOGIES LTD.

By: /s/ Eli Fruchter
Name: Eli Fruchter
Title: CEO
Date: February 1, 2009

MARVELL ISRAEL (M.I.S.L.) LTD.

By: /s/ Eliaz Lavy
Name: Eliaz Lavy
Title: Sr. V.P. and M.I.S.L. G.M.
Date: September 24, 2009

EXHIBIT A-NP4

STATEMENT OF WORK (SOW) & SPECIFICATIONS**I. GENERAL**

This SOW is governed by the Master Agreement and the terms of this SOW relate solely to the NP4-C and NP4-G Licensed Products described herein.

Pursuant to Section 4.2 of the Master Agreement, the parties acknowledge that there will be "no" joint development of the EZchip Technology, the Marvell Technology, or other such related technologies of either party or their Intellectual Property Rights therein.

1. Both parties will work together to co-develop the NP4-C and NP4-G Licensed Products for the purpose of providing higher density programmable solutions for the customers.
2. The NP4-C Licensed Product is to be sold by Marvell exclusively to Identified Customers.
3. Unless otherwise specified in this SOW, the NP4-G Licensed Product is to be sold by EZchip exclusively to parties other than Identified Customers.
4. Product definition will be done together by Marvell and EZchip.
5. This product should be based on latest EZchip NP Core with the required modifications to be defined by Marvell & EZchip.
6. Additional requirement following the final PRD to be commonly agreed between both parties.
7. Marvell has option to give their part of work to subcontractors if needed, all subject to the provisions of the Master Agreement.
8. Notwithstanding Section 2.1 of the Master Agreement, Marvell has option to give their part of work to subcontractors if needed, subject to compliance by such sub-contractors with Marvell's confidentiality undertakings towards EZchip. Marvell may consult with EZchip on the subcontractor selection at Marvell's discretion.
9. EZchip agrees to work with Marvell in good faith to meet Cisco's requirements for cost reduction for the NP4-C Licensed Products as described in the Business Term Agreement between EZchip, Marvell and Cisco Systems, Inc. ("Cisco").
10. In any case of contradiction between the Master Agreement and this Amendment No. 2 or any of the following Exhibits, the express provisions of this Amendment shall prevail only with respect to the NP4-C and NP4-G Licensed Products.

II. LICENSED PRODUCT SPECIFICATIONS

The parties agree to use good faith to establish the Specifications for the Licensed Products in cooperation with Cisco, in the form of a signed amendment to this SOW.

NP4 Features

- Single-chip, programmable, 100-Gigabit throughput (50-Gigabit full duplex) wire-speed network processor
- On-chip scaling bus options for up to 100G full duplex processing and TM
- Line card, services card and pizza box applications
- Based on EZchip's NP-3 with performance scaling and an enhanced feature set
- On-chip Control CPU, and host offload
- On-chip Fabric Interface Controller for interfacing with Ethernet fabrics as well as third-party fabric solutions
- System-wide traffic management

- Ingress and egress traffic management with hierarchical scheduling
- Flexible processing with programmable packet parsing, classifying, modifying and forwarding
- Embedded search engines eliminating the need for external search co-processors
- On-chip OAM protocol processing offload
- Internal switch, for line card scaling, and enhanced data flow flexibility
- FIC (Fabric Interface Chip) functionality integration for direct connection to cell based and packet based switching complex, including basic Ethernet fabrics
- System-wide traffic management with end-to-end QoS, dedicated QoS CPU
- Ten XAUI interfaces
 - Supports RXAUI protocol
- 24 quad-speed SGMII ports or 48 tri-speed QSGMII ports
- Support for OC-768
- Support for 100G Ethernet
- On-chip hardware time stamping supporting IEEE1588v2
- Support for CES and Synchronous Ethernet ITU-T8261
- PCI-Express external host interface
- Comprehensive on-chip diagnostic hardware support

Embedded search engines

- Table entries stored in DRAM; no CAM or SRAM necessary
 - Reducing system chip count, power dissipation and cost
 - Providing up to 2 Gbytes lookup tables headroom
- Multiple routing, classification and policy lookup tables with millions of entries per table
- Flexible keys and results (associated information) programmed per table
- Support for long keys (up to 80 bytes) and long results (up to 96 bytes) per table entry

Content-aware stateful classifying and processing

- Access to all 7 layers for classify and modify
- Maintain state of millions of sessions simultaneously
- On-chip state updates and learning of millions of sessions per second

Programming

- Large code space memory for multiple and complex applications

[*]

- Hitless code upgrades
- Single-image programming model with no parallel programming or multi-threading
- Automatic ordering of frames
- Automatic allocation of frames to processing engines (TOPs)

* This portion of the Exhibit has been omitted pursuant to a Request for Confidential Treatment under Rule 24b-2 of the Securities Exchange Act of 1934. The complete Exhibit, including the portions for which confidential treatment has been requested, has been filed separately with the Securities and Exchange Commission.

- Automatic passing of messages among TOPs
- Microcode compatible with EZchip's NP-3 and NP-2 (NP-2a and NP-2b) network processors

Interfaces

- Ten XAUI interfaces:
 - Ten on-chip 10G/20G MACs
 - 3.125Gbps; 6.25Gbps per lane
 - Channelized operation with up to 256 channels
 - In band and out of band flow control
 - Connection to Ethernet and TDM framers
 - Cell-based and packet-based operation
 - Support for SPAUI and Interlaken
 - Supports RXAUI protocol
- 24 quad-speed SGMII Ethernet interfaces or 48 tri-speed QSGMII Ethernet interfaces
- External Host interface:
 - 1-lane PCI-Express 2.5Gbps for control CPU interface
 - Additional 2xSGMII GE ports
- MDC/MDIO master port for 1G copper PHY; continuous polling mode by HW
 - There are 3 master interfaces: 2 for SGMII ports, 1 for XAUI ports
 - All masters support both clause 24 (1G) and clause 45 (10G)
- LED interface for port status exporting
- External memory interfaces:
 - External TM memory interface (optional):
 - DDR3 SDRAM
 - 666 MHz DDR; 8x16 bit
 - 4 GB max. (16M frames)
 - External lookup table memory interface:
 - DDR3
 - 666 MHz DDR; 4x32 bit
 - 4 GB max.
 - 8 DDR3 devices
 - External statistics memory interface:
 - RDRAM2-SIO
 - 533 MHz DDR; 2x18 bit
 - 1/2 devices
 - ECC protected internal and external memories
- External TCAM interface:
 - Especially useful for fast lookups through large tables with wildcards, such as Access Control Lists (ACL)
 - Interlaken-LA, 24 lanes, 6.25Gbps, 400Mkps, 1600sps

Integrated Traffic Management

- Unified 50/100Gbps Traffic Manager

- 200Mpps throughput
- Combines both ingress and egress functionality
- Dynamic hitless resource allocation
- Dynamic hitless reconfiguration
- Dynamic concatenated TM scheme
- LAG shaping
- Work conserving and non-work conserving schedulers
- Frame sizes from 1 byte to 16 KB
- Up to 4 Gbytes total frame memory
- Up to 16M frames
- Per Flow Queuing (PFQ) with 5-level hierarchical scheduling:
 - 32 interfaces
 - 256 ports
 - 4K subports
 - 32K classes/users
 - 256K flows (8-16 per subscriber)
- 8 classes of service per subscriber
- Advanced per packet control:
 - Per packet IPG
 - Per packet internal switch destination & COS
 - Per packet WRED profile reference
- Dynamic mapping of all hierarchies
- Dual shaper in each hierarchy
- Programmable priority propagation in all hierarchies
- External TM control bus for external user-defined scheduler
- Policing: Per-flow metering, marking and policing for millions of flows
- Configurable WRED profiles
- Per flow per color WRED statistics
- Shaping: Single and Dual leaky bucket on committed/peak rate/bursts (CIR, CBS, PIR, PBS), with IFG emulation for accurate rate control
- Scheduling: WFQ and priority scheduling at each hierarchy level
- Per frame statistics
- Per frame timestamp and timeout drop
- Hardware flow control per port
- Flow control generation management scheme based on a per source and/or destination port accounting

Operations and Management Offload

- KeepAlive frame generation for precise and accurate session maintenance operations
- KeepAlive watchdog timers for fastest detection time
- 802.1ag compliant full offload
- Per OAM session state tracking and reporting
- Flexible statistics and performance monitoring

Data Flow Features

[*]

TOP Features

[*]

Statistics and Counters

- Up to 16M 64-bit counters via external memory
- Per-flow statistics for programmable events, traffic metering, policing and shaping
- Programmable threshold settings and threshold exceeded notification
- Dynamic allocation and auto association between counters and flows. Counters are automatically recycled when a flow is deleted or aged.
- Auto implementation of token bucket per flow (srTCM or trTCM or MEF5):
 - Hardware implementation of token bucket calculations and coloring (i.e. green, yellow, red)

Power Management

- Per interface power-up/power-down
- Configurable number of active TOP engines at each stage, for best power optimization per application

Diagnostics

- Interface built-in self test (BIST) for all NP-4 memory interfaces
- Remote and internal loopback on all SGMII/QSGMII and XAUI interfaces
- Externally controlled 64-bit RTC with time stamping and time loading support
- Activity meters for all NP-4 clock domains with 64-bit phase meters per clock, supporting synchronous time stamp latching
- PLL status monitors
- Power management monitors on all NP-4 clock and power domains

III. PROGRAM MANAGEMENT

The Parties shall create a coordination team (“**Coordination Team**”) to oversee the implementation of this SOW and to constitute the primary vehicle for communication, decision-making and executive management of the Statement of Work.

The Coordination Team shall comprise of the Project Managers of the Parties, and any other representatives as agreed between the Parties, and shall be led by the Marvell Project Manager. Each Party shall appoint a Project Manager. The Project Managers shall conduct status meetings regularly (at least on a weekly basis) either by teleconferences or face-to-face meetings. Such status meetings shall include, among others, the exchange of technical information, the activity under, and the performance of, this SOW, and the progress of the Services. The Coordination Team shall keep formal minutes of its meetings.

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Among the responsibilities of the Coordination Team is the resolution of matters concerning the performance of this SOW, such as technical problems, and progress issues. The Coordination Team shall review changes, and shall ensure they are within the framework of the of this SOW. The Coordination Team shall have full and constant visibility on the process and information,

During the entire term of this SOW, Marvell's and EZchip's Project Manager (or a representative on its behalf) shall be entitled to visit EZchip's facilities in order to inspect and evaluate Marvell's and EZchip's progress and to ensure that such progress is compatible with the Requirements, and with Marvell's and EZchip's quality assurance; provided however, that Marvell and EZchip shall provide each other with reasonable prior notice, and that the visit shall take place during regular business hours.

1. Marvell and EZchip will jointly develop a detailed execution plan including schedule for the major activities, milestones, reviews and deliverables submission dates,
2. Marvell and EZchip shall provide each other with Weekly Status Reports that will cover the week's Work focus/accomplishments and issues.
3. EZchip and Marvell acknowledge that time is of the essence in the performance of the development. Both Parties shall notify each other promptly of any factor, occurrence, or event coming to their attention that may affect their ability to substantially perform the development, or that is likely to occasion any material delay in delivery of Deliverables. Such notice shall be given, without limitation, in the event of any loss or reassignment of key employees, threat of strike, or major equipment failure. In any such event, the parties shall attempt to reach a prompt resolution which would allow to nevertheless meeting the schedule. In such an event, both Parties shall treat the other Party as a favored customer.
4. Both Parties will update each other with any bug or violation discovered on any of their products that has relevance to the NP4-C or NP4-G based on previous generation of their respective products or on the committed product Specifications, and shall take all measures reasonably required in order to immediately resolve any such bug or violation.
5. During, and upon the completion of, the implementation of the Services, Marvell shall be entitled to conduct reviews and/or acceptance testing which Marvell deems necessary in order to verify whether the Development and/or Deliverables conform to all of the specifications and the Requirements.

BOTH PARTIES HEREBY REPRESENT AND WARRANT THAT THEY, AND THEIR LICENSORS, ARE, AND WILL BE, THE SOLE AUTHOR OF ALL THEIR RESPECTIVE DELIVERABLES, AND THAT NEITHER THE DEVELOPMENT NOR THE DELIVERABLES WILL IN ANY WAY INFRINGE ANY THIRD PARTY'S RIGHTS, INCLUDING THEIR INTELLECTUAL PROPERTY RIGHTS. WITHOUT LIMITING THE FOREGOING, BOTH PARTIES SHALL BE RESPONSIBLE TO PROVIDE TO THE OTHER PARTY ANY THIRD PARTY LICENSES, OTHER THAN LICENSES OF THIRD PARTY TOOLS, REQUIRED TO ENABLE THEM TO UTILIZE THE DELIVERABLES UNDER THE TERMS OF THE MASTER AGREEMENT. THE PARTY RECEIVING THE THIRD PARTY LICENSES AGREES TO COOPERATE WITH THE OTHER PARTY TO OBTAIN ANY NECESSARY THIRD PARTY APPROVALS. SAID COOPERATION MAY INCLUDE, BUT IS NOT LIMITED TO, ENTERING INTO NON-DISCLOSURE AGREEMENTS AND LIMITED USE LICENSE AGREEMENTS WITH THE THIRD PARTY LICENSORS AS A CONDITION OF USE.

IV. LICENSED PRODUCT DESIGN FLOW

RTL / Coding

[*]

NP4-C and NP4-G Interfaces

Listed above under Section II of this Exhibit A-NP4

V. BACK END AND LAYOUT

[*]

VI. PRE-SILICON VERIFICATION

[*]

VII. DESIGN FOR TESTABILITY (DFT) AND DESIGN FOR VALIDATION (DFV), MEMORY REPAIR (MR)

[*]

VIII. PACKAGE DESIGN

[*]

IX. POST SILICON FUNCTIONAL VALIDATION (CHIP & SYSTEM)

[*]

X. POST SILICON ELECTRICAL VALIDATION

1. Marvell will be responsible for the electrical validation test plan definition and execution according to Marvell flow and provide EZchip with all results.
2. Post silicon electrical validation should be enabled on the validation platform designed by EZchip. This platform will be designed following Marvell hardware design guidelines to enable testing of all NP4-C and NP4-G functional and electrical aspects. Additional to this, the validation platform will include all the hooks needed for the electrical validation as defined by Marvell. All these subject to the features required for electrical testing do not degrade the ability to perform functional and performance testing on the validation platform, in which case Marvell would need to develop the means to perform those tests which can't be done on the validation platform.

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3. Marvell has the right to design and manufacture its own platform to be used solely for electrical validation or demo purposes. This system may be based/derived from the system designed by EZchip, as decided by Marvell.
4. EZchip will provide all required support and information to enable the NP4-C and NP4-G electrical validation.
5. Marvell will perform the functional PVT stress tests based on Marvell Requirements and review the results with EZchip. If needed, EZchip will provide a functional PVT stress test release, as jointly defined with Marvell; and will support the production team as per Marvell's functional PVT stress test flow.
6. EZchip will provide and Marvell has the option to buy from EZchip validation platforms at system/cards building costs +10%.
7. EZchip commits to supply the above platforms in a period of 12 weeks from the time the order was placed but not before EZchip concluded the bring up of such platforms.
8. These platforms will be delivered in stable working conditions by EZchip experts at Marvell lab including, but not limited to:
 - a. Fully populated NP4-C and NP4-G development boards with sockets
 - b. Chassis or any other platform needed to run the NP4-C and NP4-G development boards
 - c. Power supplies
 - d. Cables
 - e. Initialization files
 - f. User manual
 - g. Application software
 - h. Drivers
9. The validation platforms will be delivered no later than two weeks after Marvell delivered the required NP4-C and NP4-G devices to EZchip but not before EZchip concluded the bring up of such platforms..
10. Marvell will share the electrical validation results with EZchip.
11. EZchip will provide at the above mentioned cost, 4 additional NP4-C and NP4-G validation boards to be populated with corner devices.
12. EZchip experts will provide training at Marvell facilities to Marvell engineers on the validation platforms upon platforms delivery.
13. EZchip will provide and support the EZchip SW driver component needed to run the electrical validation environment (See S/W section)
14. EZchip will provide a list of SW APIs as will be mutually defined with Marvell that are needed for performing the electrical test plan (for generating/verifying the test, controlling the interfaces, etc.); EZchip will provide support as needed for this SW suite during the ETP execution.
15. Marvell will perform and execute the System Level Screening (SLS). If needed, EZchip will provide an SLS release, as jointly defined with Marvell; and will support the production team as per Marvell's SLS flow.

XI. POST SILICON TEST PROGRAM (TESTER)

1. Marvell will be responsible for Test Program development and Q&R testing. EZchip will support the Test Program development.
2. Testing location and the type of tester will be selected by Marvell.
3. Test Vector Generation is EZchip responsibility except for the ATPG vectors generation and debug that is under Marvell responsibility. Debug for the functional vector at the tester is EZchip and Marvell responsibility.
4. Marvell will be responsible for the vectors conversion and release to the production test floor.

5. EZchip will provide all required support and information to Marvell to enable test and qualification infrastructure development – such as test h/w, BI h/w and any other h/w required for product ramp and qualification.

XII. POST SILICON – QUALITY AND RELIABILITY

1. Marvell will be responsible for the quality and reliability testing of the NP4-C and NP4-G.
2. Marvell will conduct any required failure analysis.
3. EZchip and Marvell shall support each other for failure analysis and corrective action implementation upon need (logic analysis, electrical analysis, and test enhancement), this in line with Marvell's FA standard response time, and in accordance with Section 5 of the Master Agreement. This applies to: qualification failures, customer returns and yield enhancement activities.
4. EZchip will provide all information and engineering support required to bring up the qualification infrastructure.
5. Each company will be responsible to support its customers' FAs.

XIII. SOFTWARE

1. EZchip will provide training to Marvell on the NP4-C and NP4-G drivers and its architecture.
2. EZchip will supply required S/W and tools developed by EZ Chip to perform the Electrical Validation as will be defined by Marvell and in agreement with EZchip.
3. EZchip will provide SW APIs as will be mutually defined with Marvell.

XIV. APPLICATION SUPPORT

1. Marvell will directly support its customers on any electrical, thermal and quality related issues.
2. EZchip will be responsible for application, training and customer support for the NP4-C and NP4-G for functional, architecture and performance related issues and for all SW related issues.
3. EZchip is responsible for all the firmware, driver and architectural related collateral issues, training and customer bring-up.
4. Marvell will provide support to EZchip team on any hardware, electrical, thermal or quality related issues coming from EZchip customers.
5. EZchip will respond promptly to support Marvell customers and Marvell field/sales teams with issues related to proactive and reactive support events in accordance with Exhibit C.

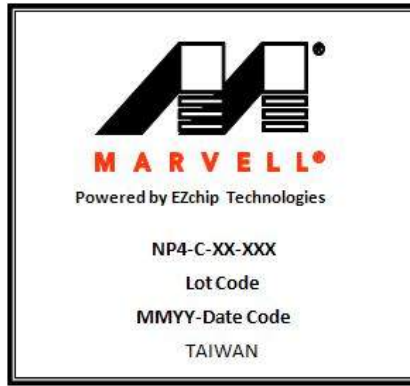
XV. DOCUMENTATION AND COLLATERALS

- EZchip will create and deliver to Marvell the relevant parts of the NP4-C functional specification including the internal and external register tables. EZchip will deliver the above specifications before silicon arrival.
- Marvell will provide to EZchip all the register and configuration related to the Marvell IP integrated in the NP4-C and NP4-G.
- EZchip will deliver the below listed documents to Marvell and shall use the EZchip standard documentation tools.

- For collaterals not specified herein to be created using the Marvell standard documentation tools, the flow to migrate EZchip collaterals to final NP4-C and NP4-G files will be defined by EZchip and Marvell.
- EZchip will create, release and maintain the following documentation and collateral for the NP4-C and NP4-G:
 1. Errata
 2. Reference Design/Development Board User Manual and Jumper Settings
 3. Reference Design/Development Board Schematics and BOM
 4. Reference Design/Development Board Schematics checklist
- Marvell will create, release and maintain the following documentation and collateral
 1. Datasheet (Hardware Specification)
 2. Hardware Design Guide
 3. IBIS
 4. BSDL
 5. Hardware, Electrical and Thermal Application Notes/Technical Bulletins (if required)
- Both Parties will supply the other party with the above mentioned end-user customer collateral and documentation. This collateral and documentation content will be agreed by EZchip and Marvell. These documents will be provided in editable soft copy. Both parties can modify the content of all end-customer collateral and documentation including content, format, logos and copyright markings, provided said modifications are permitted under Marvell's Trademark Use Agreement to be entered into by EZchip prior to the use/modification of any Marvell trademarks. For the avoidance doubt, removing a Marvell trademark from Marvell collateral and documentation does not constitute a use/modification.
- Marvell will be authorized to distribute the above listed collateral and documentation only to Identified Customer and NP4-G customers pursuant to Have Made Rights. EZchip will be authorized to distribute the above listed collateral and documentation to its customers. Both Parties will be authorized to distribute the collateral under the own marking and branding.
- Each party is responsible for release of all respective collateral and documentation updates and revisions, in a timely manner and according to a release schedule agreed upon by Marvell and EZchip.

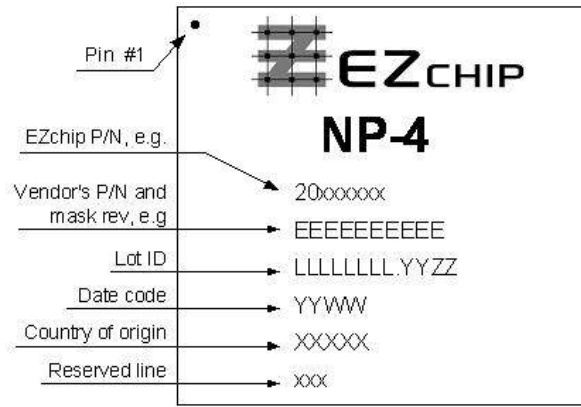
XVI. Manufacturing:

The NP4-C will be manufactured by Marvell and will be branded with the following Marvell –EZchip Trademarks. Marvell Logo will include the following reference to EZchip: “Powered by EZchip Technologies”. Marvell may, at its discretion, change such marking, provided it keeps the reference and proportions to EZchip unchanged. Notwithstanding the foregoing, in response to Cisco’s written request to Marvell, Marvell may remove the EZchip Trademark and/or the above reference to EZchip from the NP4-C manufactured by Marvell.



1. Marvell will add an eFuse to differentiate between NP4-C and NP4-G
2. Marvell will provide NP4-C and NP4-G samples, [*] of each, to EZchip to be used in the chip validation.
3. EZchip and Marvell will track and investigate the root cause of anomalies and silicon bugs. Both companies will jointly determine the priority and which ones need to be fixed before production release
4. EZchip and Marvell will work to provide functional silicon to meet product requirements. This may include subsequent metal steps or full steps of the silicon. The parties agree to use their mutual best efforts to complete any required metal steps or full steps of the silicon on an expedited basis
5. Marvell and EZchip will work together on any yield improvement and enhancement issues.
6. Manufacturing flow and platforms will be determined by Marvell.
7. The NP4-G will be manufactured by Marvell and will be branded with the following EZchip Trademarks

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8. If for any reason, Marvell's third party foundry supplier discontinues a process, Marvell shall give EZchip prompt written notice and will use its diligent efforts to provide EZchip with longer than six (6) months notice of same. Marvell shall use commercially reasonable efforts to locate a suitable substitute third party foundry supplier for EZchip, provided that the engagement of each such substitute third party foundry supplier shall be subject to EZchip's reasonable approval; should EZchip approve such replacement, Marvell shall be responsible, at its sole expense for re-qualifying and re-characterizing the Licensed Product and all other actions reasonably required in order to facilitate such replacement, and the parties will work out a detailed plan to specify what actions the parties will undertake and how payments shall be made. In the event that EZchip does not approve said replacement or in the event that a suitable replacement is not found prior to said process discontinuance, then either party may terminate this SOW for convenience upon written notice and if the NRE schedule set forth in Exhibit F-NP4 has not been completed, then EZchip will owe to Marvell a prorated amount of the next milestone based on the percentage completed as of said termination date.

XVII. CERTAIN DELIVERABLES

1. Marvell will provide the following Marvell Deliverables, to be integrated by EZchip in the NP4-C and NP4-G Licensed Product model for simulation and Netlist closure purposes

[*]

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2. The Deliverables to be provided by each party, as set forth on Exhibit B, shall be deemed to be Marvell Deliverables or EZchip Deliverables (depending on the providing party) for purposes of this SOW.

XVIII. EXCLUSIVE CISCO FEATURES.

The parties agree that, subject to written agreement between Marvell, EZchip and Cisco Systems, Inc. or a corporate affiliate of Cisco Systems, Inc. (collectively, "Cisco Systems"), the following features to be included in the NP4-C Licensed Products will be exclusive to Cisco Systems for the exclusivity period set forth below such that during the applicable exclusivity period neither party will allow customers other than Cisco Systems to use, access or enable the applicable exclusive feature in a network processor device provided by such party. The exclusivity terms set forth in this section of this SOW shall only be effective when agreed upon in writing by Marvell, EZchip and Cisco Systems, and the final exclusivity terms agreed upon in writing by Marvell, EZchip and Cisco Systems will be the only binding terms relating to the exclusive features listed below.

[*]

XIX. DISCONTINUANCE OF NP4-C.

1. If for any reason, the implementation, manufacture or supply of the NP4-C as described in this SOW ceases or is discontinued or in the event that that an Identified Customer(s) discontinues purchasing NP4-C from Marvell for any reason (the "**Date of Discontinuance**"), (i) Marvell shall continue the implementation, manufacture and supply of the NP4-G Licensed Product in accordance with this SOW and (ii) EZchip's obligation to pay the NRE Fee (as defined below) shall continue and shall constitute the full and entire consideration due to Marvell for the performance of its NRE obligations under this SOW.
2. Notwithstanding anything to the contrary in this Master Agreement, in the event that Cisco discontinues or does not purchase NP4-C from Marvell, then Ciscomay elect to purchase NP4-G directly from Marvell. Marvell may sell the NP4-G to Cisco [*].

Only Marvell may sell NP4-G to Identified Parties. Neither EZchip, nor any of its licensee's or customers, shall be permitted to sell NP4-G to an Identified Party. In the event that Marvell sells NP4-G to Cisco, Marvell shall owe the following royalty to EZchip which is computed as follows:

[*]

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Exhibit B-NP4

MILESTONES & DELIVERIES

[*]

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EXHIBIT C-NP4

SUPPORTBackground and Purpose

This Exhibit C sets forth EZchip's support and training obligations to Marvell and its customers for the Licensed Products. The parties agree that the purpose of this Exhibit C is to ensure that Marvell's customers receive prompt and useful support from EZchip in connection with such customer's purchase and use of any Licensed Product.

To ensure the successful development and sale of the Licensed Products, EZchip commits to provide all engineering and support resources as may be required in order to meet Marvell's customers' needs to each Licensed Product's end of life. Marvell commits similar resources to this end, as well. In accordance with the terms of this Exhibit C, EZchip will commit to assign support resources to be available at locations designated locations sites, whenever such resources are required to meet end customer commitments or requests.

EZchip and Marvell, if appropriate, will release any and all errata for each Licensed Product within one week of discovery thereof, and will share with each other the detailed development progress, risks and mitigation plans for each such erratum. EZchip will fix critical errata on a timely manner

Severity Levels Defined**1.0 DEFINITIONS**

1.1 Severity 1 Support Request(s) means a customer problem reported to Marvell or EZchip where an immediate EZchip engagement and assistance is required in providing resolution. A Severity 1 situation includes, but is not limited to, any of the following situations:

- A problem which critically impacts the end customer's ability to do business,
- A customer reports a problem, which such customer designates as a "Severity 1 or Level 1, etc." problem
- A problem reported by the customer is significantly affecting customer's project time schedule, or
- The customer's Licensed Product based system is down or severely degraded.

The customer's interpretation of the severity of the problem will always be honored.

1.2 Severity 2 Support Request(s) means a customer problem reported to Marvell where an urgent EZchip engagement and assistance is required in providing resolution. A Severity 2 situation includes, but is not limited to, any of the following situations:

- A problem which impacts the end customer's ability to do business, the severity of which is significant and may be repetitive in nature,
- A customer reports a problem, which such customer designates as a "Severity 2 or Level 2, etc." problem, or
- A function of the customer's Licensed Product based system is impacted which impedes the customer from meeting daily requirements.

The customer's interpretation of the severity of the problem will always be honored.

1.3 Severity 3 Support Request(s) means a customer problem reported to Marvell where a timely EZchip engagement and assistance is required in providing resolution. A Severity 3 situation includes, but is not limited to, any of the following occur:

- A problem, which negligibly impacts end customer's ability to do business,
- A customer reports a problem, which such customer designates as a "Severity 2 or Level 2, etc." problem. , or
- Any questions and/or general consultation requested by Marvell or a customer.

The customer's interpretation of the severity of the problem will always be honored.

2.0 EZCHIP SUPPORT INCIDENT RESPONSE BY SEVERITY

[*]

3.0 TECHNICAL SUPPORT PROCEDURES

EZchip will be fully responsible for customer support. Any customer request for support will be referred to EZchip support team. Both Marvell and EZchip will specify initial Technical Escalation Contacts, which may be updated from time to time by mutual written agreement of the parties. Such written agreement may be in the form of electronic mail.

3.1 Technical Support Engagement

To ensure a smooth transition during technical collaboration or escalation, it is essential that all parties remain engaged until the next level is fully engaged, including access to all relevant contact information and technical activity to date.

3.2 Solution Delivery

EZchip will be the primary source of communication with the end customer. Marvell will assist with this communication process as requested. If the problem cannot be reproduced in EZchip's labs, Marvell and the customer will provide EZchip access to the customer's site to allow EZchip's engineering/support staff to debug the problem. Marvell application team will be copied to any correspondence between EZchip and Marvell customers.

3.3 Third Party Dependency

In the event that EZchip is dependent upon a third party to provide support for a product or product component, it is incumbent upon EZchip to establish a written agreement with the third party, such that EZchip is capable of meeting the expectations identified in the Agreement by working through the third party.

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4.0 Support Collaboration Guidelines and Resolution Requirements

[*]

5.0 Support Training Requirements

EZchip agrees to provide Marvell with training at a mutually agreeable time and location, which such training shall cover the following information related to NP4-C and NP4-G:

- Data flow
- Engineering specifications
- New technology primer
- Complete list of erratas
- Error handling
- Trouble-shooting steps/procedures
- Diagnostic capability
- Basic reference design installation/re-installation procedures
- Setup procedures
- Product tests results
- Product White Papers if available

The training may be broken to phases, per Marvell and EZchip agreement

6.0 EZchip and Marvell Support Materials

EZchip Support Materials

- Option for Marvell to purchase more NP4-C and NP4-G validation/evaluation platforms from EZchip for agreed price, and within 15 weeks of delivery
- All EZchip's relevant documents will have to be provided in source format (word doc or frame maker) and within a timely manner of any change to these documents
- EZchip to communicate:
 - Any new bug or errata within 1 week from discovery
 - Performance test reports
 - Schematics and reference design in source file (PCB, BRD, SCH files)
- EZchip to provide Test plans
- Software drivers should be kept in version controlled data base

7.0 Travel Agreement

* This portion of the Exhibit has been omitted pursuant to a Request for Confidential Treatment under Rule 24b-2 of the Securities Exchange Act of 1934. The complete Exhibit, including the portions for which confidential treatment has been requested, has been filed separately with the Securities and Exchange Commission.

[*]

8.0 Non Solicitation.

During the term of the Master Agreement and for a period of two (2) years following termination hereof, each of Marvell and EZchip agrees that it will not directly or indirectly hire, attempt to hire or encourage the resignation of any employees of the other party, by direct or indirect inducements or otherwise.

* This portion of the Exhibit has been omitted pursuant to a Request for Confidential Treatment under Rule 24b-2 of the Securities Exchange Act of 1934. The complete Exhibit, including the portions for which confidential treatment has been requested, has been filed separately with the Securities and Exchange Commission.

EXHIBIT D-NP4

QUALITY

[*]

* This portion of the Exhibit has been omitted pursuant to a Request for Confidential Treatment under Rule 24b-2 of the Securities Exchange Act of 1934. The complete Exhibit, including the portions for which confidential treatment has been requested, has been filed separately with the Securities and Exchange Commission.

EXHIBIT E-NP4

IDENTIFIED CUSTOMERS & IDENTIFIED PROGRAMS

I. Identified Customer and Identified Programs (including next generations of Identified Programs).

- The Identified Programs are defined to include the current and next generation of these product lines.

No.	Identified Customer	Identified Programs
1	Cisco Systems, which includes its Affiliates and any third party(s) authorized by Cisco to make purchases on Cisco's behalf	All programs (NP4-C)

II. For purposes of Section 9.3 of the Agreement, all Identified Customers and Identified Programs listed above are exclusive to Marvell.

For the avoidance of doubt, Marvell is not permitted to sell the NP4-C to any party other than Cisco Systems or a Cisco Systems Affiliate without first obtaining the express written permission of EZchip. Furthermore, Marvell is not permitted to sell the NP4-G to any party other than EZchip or an EZchip Affiliate without first obtaining the express written permission of EZchip except as otherwise provided in Section XX of Exhibit A-NP4 (sale to Identified Customers), or Section 12 of Exhibit H-NP4 (Have Made Rights).

EXHIBIT F-NP4

ROYALTIES, SHARED ENGINEERING FEES, & LICENSE FEES

Applicable to NP4-C Licensed Product for Cisco Systems Only

I. Royalties

The Royalty owed by Marvell to EZchip (“NP4C Royalty”) for each unit of NP4-C sold by Marvell shall be as follows:

[*]

Marvell’s pricing of the NP4-C shall be negotiated exclusively between Cisco and Marvell. Marvell and EZchip agree to negotiate, in good faith, on reductions of royalty payments to EZchip based on any request for a price reduction from Cisco, which the parties acknowledge, such reduction can be accepted or rejected by EZchip in its sole discretion.

II. Engineering Costs.

Upon completion of milestones per the schedule below, EZchip shall pay to Marvell the sums specified in the schedule below, up to a total of [*] in non-recurring engineering fees (the “**NRE Fee**”). Marvell will bear all other costs related to bringing of NP4-C and NP4-G to production. The payment schedule for the NRE Fee shall be as follows:

[*]

NP4-C

Marvell and EZChip will each invest the appropriate resources to meet their respective development milestones and deliverables with respect to the NP4-C. Except for the NRE fees set forth above in this Section, the engineering costs and license fees incurred by each party will be borne by each respective party.

NP4-G

All Marvell non recurring engineering costs incurred for modifications to NP4-G beyond the agreed upon Specifications must be agreed to in writing by EZchip and Marvell and will be paid by EZ Chip to Marvell.

* This portion of the Exhibit has been omitted pursuant to a Request for Confidential Treatment under Rule 24b-2 of the Securities Exchange Act of 1934. The complete Exhibit, including the portions for which confidential treatment has been requested, has been filed separately with the Securities and Exchange Commission.

EXHIBIT G-NP4

Escrow

The parties agree that the following terms shall set forth all of the terms applicable to the escrow arrangement with respect to the NP4-C Licensed Product sold to Cisco Systems Inc. and its affiliates ("Cisco") and will replace the escrow provisions set forth in Section 10 of the Master Agreement solely with respect to the NP4-C Licensed Product.

1. For purposes of this Exhibit G, the term "**Release Event**" refers to any of the following events:
 - 1.1. The termination of the Master Agreement by Marvell due to the occurrence of any of the following:
 - 1.1.1. EZchip (a) becomes insolvent or makes a general assignment for the benefit of its creditors, or (b) dissolves, except where such dissolution results directly from (i) a corporate reorganization which results in the holders of a majority of EZchip's voting securities - prior to such reorganization - (x) continuing to hold at least 51% of the voting securities of the entity surviving such reorganization, or (y) holding substantially all of the assets of EZchip and continuing to operate the business of EZchip, or (ii) EZchip merging with or into a third party, as a result of which holders of EZchip's equity securities prior to the merger hold less than 50% of the equity securities of EZchip after the closing of such merger; or, EZchip sells all or substantially all of its assets to a third party, and based on Marvell's reasonable discretion, said third party is not a competitor of Marvell with respect to the subject matter of this Agreement;;
 - 1.1.2. a voluntary or involuntary petition or proceeding is commenced by or against EZchip under the Federal Bankruptcy Act or any other statute of any state or country relating to insolvency or the protection of the rights of creditors, or any other insolvency or bankruptcy proceeding or other similar proceeding for the settlement of EZchip's debt is instituted and is not dismissed within 60 days from the date of such filing;
 - 1.1.3. a receiver of all or substantially all of EZchip's property is appointed, and is not removed within 30 days; or
 - 1.1.4. EZchip materially breaches the Master Agreement provided the breach requires Marvell's use of any Escrowed Technology to remedy said breach.
 - 1.2. EZchip materially fails to perform its support obligations arising under Section 5 of the Master Agreement (Parties' Support Obligations) (other than the delivery of Bug Fixes covered by Section 1.3 below) or materially fails to perform its development obligations under Amendment 2 for the NP4-C Licensed Product (other than due to Marvell's failure to perform its obligations in connection with such development under Amendment 2) after the occurrence of (i) an "M&A Transaction" (as defined herein) or (ii) a Change of Control (as defined below) in EZchip, LanOptics Ltd., or any other parent company of EZchip.

For purposes of this Exhibit G, “**M&A Transaction**” means the merger of EZchip with or into a third party, as a result of which holders of EZchip’s equity securities prior to the merger hold less than 50% of the equity securities of EZchip after the closing of such merger, or EZchip sells all or substantially all of its assets to a third party and “**Change of Control**” means a transaction or series of transactions in which EZchip, LanOptics Ltd. or any other parent company of EZchip undergoes a change in the party or parties that directly or indirectly own more than fifty percent (50%) of the voting stock or shares or other form of entity ownership (e.g. partnership interests).

- 1.3. EZchip’s material and ongoing failure to perform or propose a Bug Fix deemed by Cisco to be required with respect to the NP4-C Licensed Product, the applicable Deliverables or the applicable Design Materials.
2. Contemporaneously with, or promptly following, the execution of the Addendum 2 to which this document is attached as Exhibit G, the parties shall execute a three-party escrow contract (the “**Escrow Agreement**”) with a designated professional technology escrow agent (the “**Escrow Agent**”), which agreement shall be in a mutually acceptable form, and shall be attached hereto following its execution. All costs related to the execution and maintenance of escrow services hereunder shall be borne by Marvell.
3. Beginning on the date which is ten (10) days from the date on which the Escrow Agreement is executed by all parties, and continuing thereafter during the Term (as defined in the Master Agreement), EZchip shall continue to deposit the Escrowed Technology (as defined below) with the Escrow Agent upon completion of material development milestones and also within 5 business days following any update to the materials already deposited, in accordance with the provisions of Amendment 2 and the Escrow Agreement. Unless the parties agree otherwise in writing, termination of the Master Agreement other than by EZchip in accordance with the provisions of Section 8.2(i), shall not relieve EZchip of its duties to deposit the Escrowed Technology in accordance with the terms of this Amendment 2 for a period of twenty four (24) months following such termination.

For purposes of this Exhibit G, “**Escrowed Technology**” means the technical and other manufacturing information and know-how, reasonably required in order to manufacture the NP4-C Licensed Product provided by EZchip hereunder, as well as the micro-code, software development environment tools and documentation, RTL code and any related documentation, timing and synthesis scripts, related product collaterals and hardware design and other technical and other manufacturing information and know-how, reasonably required in order for Marvell and its Affiliates to manufacture the NP4-C Licensed Product, support Cisco with respect to the NP4-C Licensed Product, create Bug Fixes, either in the IC or its related tools or micro-code for the NP4-C Licensed Product, perform process shrink on the IC to keep a competitive cost structure for Cisco, which may require re-synthesizing and doing all the backend of the RTL in new silicon geometry. The parties agree that the Escrowed Technology will not be used or incorporated in any other device other than a NP4-C Licensed Product and may not be used other than in the manner and for the purposes expressly set forth hereunder.

4. Upon the occurrence of a Release Event, the following shall occur:

- 4.1. with respect to the Release Events described in Sections 1.1.1-1.1.3 above (inclusive), Marvell shall be entitled to deliver to the Escrow Agent (with a copy to EZchip), a Release Notice (the "**Release Notice**") together with an affidavit (the "**Affidavit**"), executed by Marvell, which describes in reasonable detail the Release Event which took place. The Escrow Agent shall be required to promptly confirm the receipt of said Release Notice and Affidavit by EZchip (the "**Notice Confirmation**").

As shall be more fully set forth in Escrow Agreement, the Escrow Agent shall be required to release the Escrowed Technology to Marvell within ten (10) business days following the receipt of the Release Notice and not before five (5) business days from the Notice Confirmation; unless the Release Event is deemed cured in accordance with the following paragraph.

This Release Event shall be deemed cured only if (i) with respect to Section 1.1.2, EZchip provides Marvell with written evidence of the dismissal of any proceedings set forth therein, (ii) with respect to Section 1.1.3, EZchip provides Marvell with written evidence of the removal of the receiver, or (iii) with respect to Sections 1.1.1-1.1.3, EZchip otherwise provides Marvell with sufficient evidence, as shall be determined by Marvell in its reasonable judgment that EZchip is able to continue to perform its obligations under the Master Agreement and Amendment 2.

- 4.2. with respect to the Release Event described in Section 1.3 above, EZchip shall have a period of 90 days following the receipt of Marvell's written notice and demand for cure thereof (the "**Bug Fix Cure period**") to, provide a plan ("**Bug Fix Cure Plan**") that describes in detail the resources and effort by EZchip to provide a bug fix. Marvell acknowledges that a Bug Fix proposed by EZchip may require the assistance and cooperation of Marvell, and Marvell agrees to provide any such assistance or cooperation as is reasonably required. Marvell shall have the right to audit on a weekly basis the Bug Fix Cure Plan execution and, subject to its confidentiality undertakings towards EZchip, disclose such audits to Cisco. Should it be determined through the audit by Marvell, acting reasonably, that the Bug Fix Cure Plan is not being executed in accordance with the terms therein due to a failure on EZchip's part, then Marvell shall be entitled to deliver the Release Notice and Affidavit to the Escrow Agent (with a copy to EZchip). Without derogating from Marvell rights, the Escrow Agent shall be required to promptly confirm the receipt of said Release Notice and Affidavit by EZchip (with a copy to EZchip). The Escrow Agent shall be required to promptly obtain Notice Confirmation from EZchip confirming that the Bug Fix Cure Plan is not being executed in accordance with the terms therein due to a failure on EZchip's part.

As shall be more fully set forth in Escrow Agreement, the Escrow Agent shall be required to release the Escrowed Technology to Marvell within ten (10) business days following such notice and not before five (5) business days from the Notice Confirmation; unless EZchip provides sufficient evidence that it has provided the Bug Fix or it has complied or is in compliance with the Bug Fix Cure Plan. Marvell shall be required to return the Escrowed Technology to the Escrow Agent upon the sooner of (a) the date twelve (12) months after the release date, or (b) the date that EZchip provides the applicable Bug Fix.

- 4.3. with respect to the Release Event described in Sections 1.1.4 and 1.2 above, upon the occurrence of such event, Marvell shall be required to provide EZchip with a written notice informing EZchip of the occurrence of such event in reasonable detail. By no later than 30 days following the receipt of such written notice, EZchip shall be required to provide Marvell with a written plan for the cure of such Release Event (the "**Cure Plan**") which plan must describe in reasonable detail the steps which EZchip intends to take in order to cure such Release Event and the estimated schedule. Marvell shall be entitled to disclose such plan to Cisco under an obligation of confidentiality.

In the event that EZchip fails to (i) provide Marvell an acceptable Cure Plan within such thirty (30) day period, or (ii) EZchip fails to cure the Release Event within the period more fully set forth in an accepted Cure Plan, then Marvell shall be entitled to deliver the Release notice and Affidavit to the Escrow Agent (with a copy to EZchip). The Escrow Agent shall be required to promptly obtain Notice Confirmation from EZchip.

As shall be more fully set forth in Escrow Agreement, the Escrow Agent shall be required to release the Escrowed Technology to Marvell within ten (10) business days following Marvell's provision of such notice, and Affidavit, and not before 5 business days from the Notice Confirmation; unless, EZchip provides sufficient evidence that either it has provided a Cure Plan within the thirty (30) day period aforementioned or it has complied or is in compliance with the Cure Plan, as applicable. Marvell shall be required to return the Escrowed Technology to the Escrow Agent upon the sooner of (a) the date twelve (12) months after the release date, or (b) the date that the applicable Release Event is cured.

5. Upon the release of the Escrowed Technology by the Escrow Agent to Marvell in accordance with the provisions contained herein and for so long as such Release Event has not been cured by EZchip (or, to the extent applicable, Marvell) (as further set forth herein), Marvell shall be automatically granted a temporary worldwide, royalty bearing, non-exclusive, perpetual, non-transferable license under all of EZchip's Intellectual Property Rights embodied in the EZchip Deliverables and the License Product, but solely for the purpose of curing the Release Event if the applicable Release Event occurs under Sections 1.1.4 (to the extent that the Escrowed Technology is required by Marvell to remedy a breach thereto), 1.2 or 1.3, and, to the extent applicable, to utilize the Escrow License set forth in Section 10.7 of the Master Agreement (solely according to the NP4-C SOW), which includes the right modify, all as permitted by and strictly in accordance with the terms of the Master Agreement and the NP4-C SOW. It is hereby clarified that notwithstanding anything to the contrary contained herein, any Escrow License shall terminate within 45 days following the cure of the Release Event by EZchip (or, to the extent applicable, Marvell).
6. The foregoing limited license shall be subject to Marvell's full compliance with the applicable provisions of the Master Agreement (including, but not limited to, the Royalty, Royalty reports or other payment terms, restrictions on the identity of the purchaser of the NP4-C Licensed Product (i.e., Cisco), restriction on the use of EZchip Deliverables and EZchip's Intellectual Property Rights, provisions relating to the protection of EZchip's Intellectual Property) and the restrictions contained herein.

To the extent applicable, the provisions of Sections 5.1 and 6 of the Master Agreement (Financial Obligations) and the provisions of Exhibits F (Royalties) and C (Support) of this Amendment 2 shall apply to such activities following the release of the Escrowed Technology to Marvell and its Affiliates, regardless of whether the Master Agreement is terminated by Marvell in accordance with the provisions of the Master Agreement.

Except for the license granted herein, no other licenses or rights are granted by one party to the other, whether by estoppel, implication or otherwise, and neither Marvell nor any of its Affiliates or customers shall be granted any ownership rights with respect to the Escrowed Technology (including, for the avoidance of doubt, EZchip's Intellectual Property Rights and EZchip Deliverables).

It is hereby clarified that Marvell and its Affiliates shall be prohibited from disclosing any of the Escrowed Technology (including, for the avoidance of doubt, EZchip's Intellectual Property Rights and EZchip Deliverables) to any third party, including but not limited to, Cisco or any other customer of Marvell.

7. Without derogating from the foregoing, the parties agree that the Escrowed Technology will not be used or incorporated in any other device other than a NP4-C Licensed Product and may not be used other than in the manner and for the purposes expressly set forth in the Master Agreement.
8. Without derogating from the foregoing, upon the release of the Escrowed Technology to Marvell in accordance with the provisions of this Exhibit G and unless Marvell unreasonably rejected the applicable Cure Plan proposed by EZchip, in accordance with the provisions contained herein, EZchip shall use its best efforts to ensure Marvell is allowed to fully exercise its Escrow License with respect to the Escrowed Technology and is supported in accordance with the requirements of Section 5 of the Master Agreement and Exhibit C of this Amendment 2 until the Escrow License expires or terminates in accordance with the provisions contained herein. Prior to the earlier to occur of (i) the cure of the Release Event by EZchip (or, to the extent applicable, Marvell), and (ii) the termination of 24 months after the date of the release of the Escrowed Technology to Marvell in accordance with the provisions contained herein, to the extent applicable, EZchip agrees to provide Marvell with problem determination aids, test suites and source code, architecture and micro-architecture design documents, test software/setup/environment and any other associated documentation (including hardware and software design documentation and end user documentation), all schematics, blueprints, parts lists, and all other data, information and documentation necessary for Marvell to exercise the Escrow License granted herein.
9. Until the earlier to occur of (i) the cure of the Release Event by EZchip (or, to the extent applicable, Marvell), and (ii) the termination of 24 months after the date of the release of the Escrowed Technology in accordance with the provisions contained herein, to the extent applicable, EZchip shall furnish Marvell with basic consultation, training and technical assistance, including but not limited to, training and assistance on the training material and product documentation for the EZchip Deliverables, as part of fully transferring EZchip's know how regarding the EZchip Deliverables and the NP4-C Licensed Product, subject, however, to the confidentiality undertakings of the Master Agreement and herein and to the scope of the Escrow License granted herein.

10. Marvell acknowledges that the Escrowed Technology to the extent released to Marvell in accordance with the provisions of this Exhibit G, are being provided "AS IS" and EZchip makes no warranties, express, implied or otherwise, regarding such Escrowed Technology.
11. Except as expressly set forth in this Exhibit G, the other terms and conditions of the Master Agreement shall remain unchanged. All capitalized terms which are not defined herein shall have the meaning attributed to such terms in the Master Agreement and Amendment 2.

EXHIBIT H-NP4

TERMS OF SALE

1. The parties agree that Marvell will sell to EZchip (and only to EZchip), the NP4-G at an initial selling price of \$[] per unit from sampling through the first year after first customer shipment ("FCS") to EZchip's end user, at \$[*] for the second year after FCS, and for \$122 for the third year after FCS and thereafter.

[*]

5. EZchip shall not sell the NP4-G License Product (including any successor or replacement product(s) under the Master Agreement) to any Identified Customer, and EZchip shall not grant rights to any other party to sell the NP4-G Licensed Product (including any successor or replacement product(s) under the Master Agreement) to an Identified Customer.
6. EZchip shall have no obligation with respect to the purchase of Licensed Products until such Licensed Products are specified in a purchase order issued by EZchip to Marvell that contains specific delivery dates for specific Licensed Products (the "**Purchase Order**"). Unless agreed to otherwise by the Parties, the lead-times for Licensed Product delivery (the "**Lead-Time**") shall be [*] weeks from the date of submission of the Purchase Order.
7. Following release to production of the Licensed Product, EZchip shall provide Marvell with a non-binding six (6) month forecast of its purchase requirements for the Licensed Product (hereinafter, a "**Forecast**"). Each month thereafter, EZchip shall provide a rolling non-binding six (6) month Forecast of its purchase requirements. Any Forecasts provided by EZchip are for planning purposes only and do not constitute a delivery release or other commitment by EZchip. EZchip shall have no obligation with respect to the purchase of the Licensed Product unless specified in an issued Purchase Order that contains specific delivery release dates for specific products.
8. Marvell will be required to accept Purchase Orders which are in conformity with the prices set forth in Section 1 of this Exhibit H-NP4 and the Lead-Time, and in quantities no greater than [*]% of the Forecast, within 5 business days following their receipt and will use reasonable efforts to accommodate Purchase Orders which contain greater quantities or shorter Lead Times than those agreed upon hereunder. Without derogating from the foregoing, any Purchase Order received and accepted by Marvell, without change, shall be binding on EZchip, subject to the terms and conditions of the Master Agreement, this Amendment #2, this SOW and the Terms and Conditions of Sale document attached to this Exhibit and which is incorporated herein by this reference as Schedule 01 to this Exhibit H-NP4.

* This portion of the Exhibit has been omitted pursuant to a Request for Confidential Treatment under Rule 24b-2 of the Securities Exchange Act of 1934. The complete Exhibit, including the portions for which confidential treatment has been requested, has been filed separately with the Securities and Exchange Commission.

9. End of Life. In the event that Marvell decides to end-of-life of the NP4-G Licensed Product, or in the event that Marvell terminates this Agreement pursuant to Section 8.3(iii), then:
 - (i) Marvell shall give to EZchip written notice thereof at least 6 months before Marvell stops accepting Purchase Orders for NP4-G (such notice period, the "EOL Period"); (ii) during the EOL Period, EZchip may continue to place Purchase Orders for NP4-G with delivery dates which cannot exceed 12 months beyond the end of the EOL period; and (iii) Marvell may require full payment for each such Purchase Order before such Purchase Order is accepted and/or before starting materials planning to fulfill such Purchase Order. Notwithstanding the foregoing, Marvell may not end-of-life the NP4-G Licensed Product at any time earlier than the expiration of 5 years from the first commercial customer shipment ("FCS") (the "EOL Term"), provided if in the previous year, the total amount of units of the NP4-G Licensed Product purchased by EZchip were less than 5,000 units, then Marvell may end-of-life NP4-G as set forth above during said 5 year period after FCS.
10. All sales of NP4-G License Product between Marvell and EZchip shall be subject to the terms and conditions contained in Marvell's Terms and Conditions of Sale document which is attached hereto as Schedule 01 to this Exhibit H-NP4.
11. Upon the occurrence of a Triggering Event (as defined below), EZchip shall have the right, in its sole discretion, (the "**Direct Purchase Right**") to purchase components, products or services for NP4-G directly from the foundry, assembly and testing suppliers of Marvell ("**Marvell Suppliers**"). In the event that EZchip exercises its Direct Purchase Right, Marvell shall use commercially reasonable efforts to execute all instruments and documents and do all things that may be necessary, including without limitation contacting Marvell Suppliers on EZchip's behalf, to assist EZchip in exercising its Direct Purchase Rights with Marvell Suppliers. Nothing in this section shall derogate from any duty or obligation of Marvell under the Master Agreement or SOW; however, Marvell shall have no obligation whatsoever (including any obligations under the Master Agreement) with respect to any components, product or services purchased directly from Marvell's foundry, assembly or testing suppliers.

Upon exercise of the Direct Purchase Right, all outstanding purchase orders for which Marvell has not started wafers shall be cancelled without any liability to EZchip.

For the purposes of this Section, a "**Triggering Event**" shall be deemed to have occurred if Marvell shall (1) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of all or substantially all of its property; (2) make a general assignment for the benefit of its creditors; (3) file a petition seeking to take advantage of any law relating to bankruptcy, insolvency, reorganization for the benefit of its creditors, winding-up, or composition or readjustment of debts; (4) take any corporate action for the purpose of effecting any of the foregoing; (5) a proceeding or case shall be commenced against Marvell in any court of competent jurisdiction, seeking: (i) its liquidation, reorganization for the benefit of creditors, dissolution or winding-up, or the composition or readjustment of its debts; (ii) the appointment of a trustee, receiver, custodian, liquidator or the like to Marvell or of all or substantially all of its assets; or (iii) similar relief, order, judgment or decree approving any of the foregoing shall be entered and continue for a period of 60 days, or (6) in the event that all or substantially all of the assets of Marvell (including the Master Agreement) are acquired in a merger or acquisition and the acquiring party does not agree in writing to assume all of Marvell's rights and obligations under the Master Agreement.

12. Marvell acknowledges and agrees that EZchip may grant to several of EZchip's selected customers ("**Selected Customers**"), the right to purchase NP4-G directly from Marvell, upon separate agreement between Marvell, EZchip and the Selected Customer and subject to mutually agreed upon terms between Marvell, EZchip and the Selected Customer, provided that (i) Marvell shall be permitted to sell the NP4-G Licensed Product to a Selected Customer on "as is" terms, , and (ii) without any obligation to provide support for EZchip Technology . In the event that EZchip desires to grant a competitor of Marvell the right to become a Selected Customer, then EZchip must obtain Marvell's advance written consent.
13. The pricing information contained in this Exhibit is Confidential Information which may not be disclosed by either party to any third party (including but not limited to Cisco, Identified Customers or customers of EZchip) except upon the express written consent of the party that disclosed such Confidential Information.
14. For as long as and at any time Marvell supplies the NP4-C Licensed Product to an Identified Customer, Marvell represents that: (i) it shall use all commercially reasonable efforts to supply NP4-G Licensed Products to EZchip and guarantee supply to EZchip on a First In, First Out basis with respect to all Purchase Orders submitted by EZchip against purchase orders submitted by any third party for the NP4-C Licensed Product that cannot be canceled according to the terms applicable between Marvell and the third party (EZchip non-cancelable Purchase Orders shall be given preference over any cancelable purchase orders), and (ii) it shall not refuse to accept any Purchase Orders from EZchip submitted in accordance with this Exhibit H-NP4 and shall supply the NP4-G Licensed Products to EZchip in accordance with this SOW or any other relevant SOW, or any amendment hereto or thereto, in force between Marvell and EZchip.

Schedule 01
to
EXHIBIT H-NP4

STANDARD TERMS AND CONDITIONS OF QUOTATION OF SALE

1. APPLICABILITY

The terms and conditions of sale set forth herein and the terms set forth in the Technology Development, License and Manufacturing Agreement entered into effective as of April 12, 2006 2008 between: (i) Marvell International Ltd., a Bermuda corporation, with offices at Argyle House, 41a Cedar Avenue, Hamilton, HM 12, Bermuda, on behalf of itself and its Affiliates, and Marvell Israel (M.I.S.L.) Ltd. (formerly known as Marvell Semiconductor Israel Ltd.), an Israeli corporation, with offices at 6 Hamada Street, Mordot HaCarmel Industrial Park, Yokneam, Israel 20692, on behalf of itself and its Affiliates (collectively "Seller"), and (ii) EZchipTechnologies Ltd., an Israeli corporation with offices at 1 Hatamar Street, PO Box 527, Yokneam 20692, Israel ("Buyer") (the "Master Agreement"), the Amendment #2 to the Master Agreement and the Statement of Work annexed to the Master Agreement relating to the NP4-C and NP4-G Licensed Products (as such terms are defined therein) (collectively, the "Terms and Conditions") shall apply to all contracts of sale entered into by and between Marvell (the "Seller") and EZchip (the "Buyer") with respect to the NP4-G Licensed Product. Notwithstanding that the Terms and Conditions may conflict with certain terms and conditions specified by Buyer in Buyer's order form or any contract between Buyer and Seller, Seller's acceptance of Buyer's order is on the condition that the Terms and Conditions set forth herein shall apply to such order. Any such changes Buyer seeks to impose on Seller will not be effective, unless accompanied by such written authorization and acceptance of Seller's Authorized Agent. Seller's failure to object to any term or condition contained in any communication from Buyer shall not be deemed a waiver of the terms and conditions herein. The Terms and Conditions set forth herein shall be applicable whether or not they are attached to or enclosed with the products sold hereunder.

2. PRICE

Irrespective of any prices quoted by Seller or listed on Buyer's purchase order, a purchase order for NP4-G Licensed Products is accepted only at the prices and on the terms agreed to by the parties pursuant to the SOW relating to the NP4-C and NP4-G Licensed Products signed by the parties and dated ,2009 (the "NP4-SOW"). Notwithstanding Section 10 of these terms and conditions, Buyer shall be entitled to cancel any order, without any liability whatsoever, if Seller's price reflected on Seller's acknowledgement or invoice is different to a price set forth in the NP4 SOW.

3. PAYMENT

All invoices are due and payable thirty (30) days from the date of invoice. No discounts, rebates or credits of any kind are authorized, unless otherwise agreed to in writing by Seller. Unless Seller specifies otherwise, all payments shall be in United States dollars. Each shipment of products shall be considered a separate independent transaction, and payment therefor shall be made accordingly. If Buyer delays shipments, payments for such delayed shipments shall become due on the date when Seller is prepared to make shipment. Products held for Buyer shall be at the risk and expense of Buyer.

4. TAXES

All prices are quoted and all orders are accepted exclusive of any taxes or charges by any name imposed by any taxing authority of any state, nation or locality (other than taxes imposed on Seller's net income), and, as an example, are exclusive of national, state and local excise, sales, use, value added, goods and services, and similar taxes. Consequently in addition to the prices specified herein, the amount of any present or future excise, sales, use, value added, goods and services, or similar tax applicable to the sale of the product hereunder shall be paid by Buyer, or in lieu thereof, Buyer shall provide Seller with a tax exemption certificate acceptable to Seller. Buyer shall not be liable to taxes based on Seller's net income. When Seller has the legal obligation to collect such taxes, the appropriate amount shall be added to the applicable invoices and paid by the Buyer, unless Seller receives a proper tax exemption certificate from Buyer prior to shipment. In addition, if there are any withholding taxes payable with respect to the Buyer's payments to the Seller, the Buyer shall nevertheless pay Seller the amount due on the invoice less any portion for withholding tax, and pay the amount of withholding tax due to the appropriate taxing authority, providing Seller satisfactory evidence of such payment upon request.

5. TITLE AND DELIVERY

Unless otherwise expressly provided herein, delivery of the products ordered hereunder by Buyer shall be completed when made Ex Works (Incoterms 2000) Seller's designated point of shipment. In all cases, Seller's title shall pass to Buyer and the risk of loss or damage to any product in transit shall fall upon Buyer, whose responsibility shall be to file claims with the carrier, when delivery is made Ex Works (Incoterms 2000) Seller's designated point of shipment. Seller shall, with the prior written consent of Buyer, select the method of shipment, but in all cases, the carrier will be regarded as Buyer's agent. Shipping dates shall be in accordance with the dates specified in a purchase order submitted by Buyer to Seller from time to time, however, parties agree that subject to reasonable delays, shipping dates are approximate and are based upon prompt receipt of all necessary information from Buyer. In the absence of written instructions from Buyer, all of the products ordered hereunder shall be packed and prepared for shipment in a manner that: (i) follows good commercial practice; (ii) is acceptable to common carriers for shipment at the lowest rate; and (iii) is adequate to ensure safe arrival. Seller shall mark all containers with Buyer purchase order numbers, lot tracking information, date of shipment, Buyer's and Seller's names, and such labels and notices consistent with good standard practice, provided that in the event that any shipments directly to an Buyer customer by Seller, shall upon Buyer's request, omit Seller's name from the containers. Seller shall not be liable for delay in delivery or non-delivery due to causes beyond Seller's reasonable control, including but not limited to acts of God, acts of Buyer, acts of civil or military authority, war, riots, insurrection, sabotage, epidemic, labor disputes, labor shortages, utility shortages, materials shortages, delays in transportation or inability due to causes beyond Seller's reasonable control. In the event of any such delay, the date of delivery shall automatically be extended for a period equal to the time lost by reason of the delay. For other than these preceding causes, Seller shall not be in default for failure to deliver, unless Seller does not commence to cure such failure within ten (10) days after receipt of written notice of failure to deliver from Buyer.

6. INDEMNIFICATION

Application. With regards to EZchip's purchase of Licensed Products under Exhibit H-NP4, Section 11 of the Master Agreement (Intellectual Property Indemnification) shall not apply to Marvell, and the following intellectual property indemnification shall be applicable to Marvell.

Indemnification. Seller will defend, hold harmless and indemnify Buyer and its affiliates from and against any and all claims, suits, losses, damages, expenses and liabilities, costs and expenses (including reasonable attorney's fees), incurred by Buyer and its affiliates solely as a result of any infringement by any products provided by Seller of any patent, copyright, trade secret, trademark, moral right, mask work right, trade secret, know-how or other intellectual property or proprietary right(s) of a third party, in any country or jurisdiction in the world, now or hereafter existing, and whether or not filed, perfected or recorded (the "Intellectual Property Right"). If any Intellectual Property Right is procured by Seller for use in the products provided hereunder by a third party, Seller shall be responsible for obtaining all required Intellectual Property Rights from all third parties in order to enable use by Buyer of the products provided by Seller hereunder.

Without derogating from the foregoing, if such a claim is made such that Buyer is prohibited or is reasonably likely to be prohibited from making any use, commercial or otherwise, of the products, Seller agrees, at Seller's sole option and expense, to either: (i) obtain for Buyer the right to continue to use and sell the products in accordance with these terms and conditions; (ii) modify the products so they are non-infringing and in compliance with these terms and conditions; (iii) replace the products with non-infringing products that comply with these terms and conditions and design specifications; or (iv) if the foregoing are not reasonably possible, accept the return of the infringing products and refund any amount paid.

Requirements. This indemnification shall apply to products provided by Seller to Buyer hereunder, excluding any direct infringement claims, or parts thereof, with respect to EZchip Deliverables included in NP4-G and shall only apply provided (i) Buyer provides Seller with prompt written notice of such claim within 30 days of the claim being made (provided that Buyer's failure to provide such notice will relieve Seller of its obligations hereunder only if and to the extent that such failure prejudices Seller's ability to defend such claims), (ii) Buyer provides Seller with full control over the defense and/or settlement of the claim (provided that Seller keeps Buyer apprised of the status of the claim and any settlement negotiations and no resolution or settlement of the claim obligates Buyer to pay damages, settlement costs or any other compensation to the plaintiff or effectuates an admission of any liability on the part of Buyer without the express written consent of Buyer), and (iii) Buyer provides Seller with all reasonable information and assistance (at Seller's expense) to handle the defense and/or settlement thereof. Notwithstanding the foregoing, Seller's indemnification shall also include a claim arising out of Seller's modification to the EZchip Deliverables, or use thereto which is not permitted by these Terms and Conditions, provided the infringement would not have incurred without said modification or use.

Exclusions. This indemnification does not apply to a claim, or any part thereof, which (a) arises out of the modification by Buyer of NP4-G, provided the infringement would not have occurred without said modification; or (b) arises out of the combination by Buyer of NP4-G with other elements (software, components or services) not furnished by Seller (unless recommended in writing, specified in writing, or approved in writing by Seller) where the NP4-G standing alone would not infringe, (c) arises out of Seller's compliance with Buyer's written specifications, designs or instructions in the Master Agreement or those which are provided to Seller by or on behalf of Buyer and such claim would not have arisen had such specifications, designs or instructions not been used, or (d) arises out of any use of NP4-G not permitted by these Terms and Conditions (individually and collectively, "Excluded Claims."). Buyer shall defend, indemnify, and hold Seller harmless from any costs or expenses arising from a rightful claim of infringement by a third party for any of the Excluded Claims, to the same extent as Seller has agreed to indemnify Buyer. The foregoing states Seller's exclusive liability and Buyer's exclusive remedy arising from any Claim.

7. NON-DISCLOSURE OF CONFIDENTIAL INFORMATION

Notwithstanding Section 7 of the Master Agreement, the parties acknowledge and agree that they shall be entitled to disclose Confidential Information with respect to the other party and these Terms and Conditions, in accordance with the other party's obligations pursuant to NASDAQ rules and policies, and US Securities Law. The parties acknowledge and agree that a disclosure of the other party's Confidential Information in accordance with this Section shall not constitute a breach of the Terms and Conditions.

8. ASSIGNMENT

Notwithstanding Section 12.3 of the Master Agreement, Buyer may assign, delegate or sublicense all or any portion of its rights and obligations under these terms and conditions to (i) its subsidiaries, affiliates or the surviving entity resulting from a merger or consolidation involving Buyer, (ii) the acquiring entity in a sale or other disposition of all or substantially all of the assets of Buyer as a whole or of any line of business or division of Buyer; and based on Marvell's reasonable discretion, said surviving entity or acquiring entity is not a competitor of Marvell with respect to the subject matter set forth in the Terms and Conditions, or (iii) any other party that is created as a result of a spin-off from, or similar reorganization transaction of, Buyer or any line of business or division of Buyer.

9. CANCELLATIONS AND RESCHEDULING

A.Orders may be rescheduled or canceled solely in accordance with the terms of this Section. Orders may not be cancelled less than [*] weeks prior to the scheduled delivery date. In the event Buyer cancels all or any portion of an order less than [*] weeks prior to the originally scheduled shipment date, then Buyer agrees to pay Seller cancellation charges which shall include all reasonable costs, direct and indirect, incurred and committed by Seller together with a reasonable allowance for other expenses incurred by Seller in connection with such cancelled order. Seller's calculation of such cancellation charge shall be final and binding on Buyer and payment thereon shall be due from Buyer within thirty (30) days of Buyer's receipt of notice of such cancellation charge. Notwithstanding the foregoing, Seller shall use commercially reasonable efforts to accept any cancellation by Buyer less than [*] weeks prior to the originally scheduled shipment date and to avoid incurring cancellation charges, or to charge Buyer for any charges or expenses associated with the cancellation not actually incurred by Seller in accordance with this Section. For the avoidance of doubt, Buyer shall not be liable to Seller for any amounts whatsoever with respect to a cancellation of any order [*] weeks prior to the scheduled delivery date. Orders for delivery of products may be rescheduled on not less than thirty (30) days prior written notice to the scheduled delivery date, without any liability to Seller, including without limitation costs and expenses incurred by Seller as a result of the rescheduling or cancellation charges, and delivery may not be rescheduled by more than thirty (30) additional days.

In the event that the parties mutually agree to changes to the specifications, then said changes shall be instituted as agreed between the parties subject to Buyer and Seller agreeing, in writing, upon an adjustment to the delivery schedule. In the event of any such change to an existing order, Buyer will not liable to Seller for any cancellation charges with respect to the cancellation or rescheduling of such an order.

10. GOVERNMENT CONTRACTS

If the products to be furnished under this order are to be used in the performance of a government contract or subcontract, there shall be incorporated herein such acquisition regulations as are required by law and accepted by Seller's Authorized Agent.

11. EXPORT CONTROL

Buyer will not export, reexport or transfer any of Seller's products, software, or technology (collectively, "Technology"), or any products developed with or utilizing Seller's Technology, in violation of any applicable laws or regulations of the United States and the country where Seller's Technology was legally obtained. In addition to the above, Seller's Technology may not, in the absence of authorization by U.S. and local law and regulations, as required, be used by or exported or reexported (i) to any U.S. sanctioned or embargoed country, or to foreign nationals or residents of such countries; or (ii) to any person, entity, organization or other party identified on the U.S. Department of Commerce's Denied Persons or Entity List, the U.S. Department of Treasury's Specially Designated Nationals or Blocked Persons Lists, or the Department of State's Debarred Parties List, as published and revised from time to time; or (iii) to any party engaged in nuclear, chemical/biological weapons or missile proliferation activities; or (iv) for use in the design, development or production of rocket systems or unmanned air vehicles. Further, Buyer confirms that it is not a person, entity, organization or other party identified on the U.S. Department of Commerce's Denied Persons or Entity List, the U.S. Department of Treasury's Specially Designated Nationals or Blocked Persons Lists or the Department of State's Debarred Parties List, as published and revised from time to time. Buyer will indemnify and hold Seller harmless from and against any claim, loss, or liability arising out of any breach by Buyer of this Section 11. Nothing in this Section 11 shall expand, or be deemed to expand, the rights granted to Buyer under these terms and conditions of sale. This Section 11 shall survive any termination or expiration of these terms and conditions of sale.

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12. GOVERNING LAW; JURISDICTION AND VENUE; AND SEVERABILITY

These terms and conditions of sale shall be governed by and construed and enforced in accordance with the laws of the State of California, USA, without regard to conflicts or laws provisions. Buyer and Seller hereby consent to jurisdiction and venue in the state and federal courts in Santa Clara County, California or the courts of the state of Israel, wherever any dispute arising hereunder is first initiated. Any provision hereof which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining portions or affecting the validity or enforcement of such provisions in any other jurisdiction.

13. WARRANTIES AND REMEDIES

A. **Defect Warranty.** Seller warrants that from [] months following the date of Seller's shipment of products (the "**Warranty Period**") all products (excluding the EZchip Deliverables) to be delivered hereunder shall be free from defects in material and workmanship and that no errors caused by Seller or its subcontractors, or other third parties furnished by Seller will cause the products to fail or to non-conform to the Specifications, subject to the conditions and procedures stated herein, except that in the case of Epidemic Failure the term shall be extended to [*] months following the date of Seller shipment.

1. Buyer shall promptly notify Seller's Authorized Agent in writing of any alleged breach of warranty and return for warranty adjustment such products. Any products so returned shall be shipped to Seller at Buyer's expense. To the extent that such products are found by Seller to be defective, Seller shall reimburse Buyer for such delivery charges and pay delivery charges of repaired or replacement products to the Buyer.
2. Upon receipt of the returned products, Seller will examine such products to determine to its own reasonable satisfaction that the alleged defect did not arise as a result of Buyer's (or parties furnished by buyer) abuse, misuse, neglect, tampering, unauthorized or improper use or installation, disassembly, repair, alteration, or accident, all of which are not covered by any of the warranties set forth herein.
3. If Seller finds that products are defective, Seller shall immediately issue a notice to Buyer advising of same and the action it shall take in accordance with Section 13B. Seller shall promptly and as soon as practicable, make the necessary repairs (if applicable), replace the products, or provide Buyer with a credit of the purchase price, of any non-conforming products.

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4. Seller will promptly notify Buyer in the event the products are not subject to warranty adjustment. Unless instructions as to the disposition of such products not subject to warranty adjustment are received from Buyer within fourteen (14) calendar days of such notification, the products will be returned to Buyer, freight collect; and
5. Seller's products are not authorized for use as critical components in medical devices, military systems, life or critical support devices or related systems, and Seller provides no warranty or indemnity to Buyer or Buyer's customers related to such non-authorized uses.

B. Limitation of Remedies. Subject to Section 13D, Buyer's sole and exclusive remedy under this warranty shall be, at both party's reasonable option, either to repair or replace, or credit to Buyer the purchase price of, any non-conforming product or products. In no event shall Seller, its affiliates, agents, officers, directors, insurers, successors and assigns or employees be liable to Buyer or any third party for loss of profits, loss of use or any incidental, consequential, indirect, contingent, secondary, special damages or expenses whatsoever and howsoever arising, even if Seller has been advised of the possibility of such damages.

C. Extended Warranty. Replacement and repaired products shall be warranted for the Warranty Period starting from the date Seller delivers such replaced or repaired products to Buyer.

D. Epidemic Failure Warranty. Seller warrants that that from the date of delivery of the products to Buyer and for a period of [*] years thereafter, products provided to Buyer by Seller (excluding the EZchip Deliverables) will not experience Epidemic Failure. "Epidemic Failure" means a single root cause defect or malfunction of a product that materially impairs performance of such product, where the defect or malfunction is reasonably verified by Seller, as being attributable to defects warranted under Section 13A, and such defect is exhibited within the Warranty Period by at least [*] percent ([*]%) of the products delivered within [*] consecutive lots. In the event of an Epidemic Failure, all products of the same lots will be presumed defective under Section 13A and subject to the remedy in Section 13B. In addition, Seller will provide a corrective action plan reasonably acceptable to Buyer as soon as possible after being notified of the Epidemic Failure, and further implement the corrective action plan accepted by Buyer as soon as possible at no additional charge to Buyer. Buyer may cancel or postpone all purchase orders pending implementation of the corrective action plan, without any penalty.

E. Excluded Warranties. EXCEPT FOR THE EXPRESS WARRANTY SET FORTH HEREIN, SELLER MAKES NO OTHER WARRANTIES OR GUARANTEES REGARDING THE PRODUCT, WHETHER EXPRESS, ORAL, IMPLIED, STATUTORY, ARISING BY OPERATION OF LAW, OR AS A RESULT OF USAGE OF TRADE, COURSE OF DEALING, OR COURSE OF PERFORMANCE. SELLER HEREBY EXPRESSLY DISCLAIMS ALL IMPLIED WARRANTIES OR WARRANTIES OTHERWISE ARISING BY OPERATION OF LAW, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE AND NON-INFRINGEMENT. NOTWITHSTANDING THE FOREGOING, IF ANY PRODUCT COVERED BY THIS ORDER IS DESIGNATED FOR DEVELOPMENTAL OR EXPERIMENTAL USE, NO WARRANTY WHATSOEVER SHALL BE APPLICABLE THERETO, AND BUYER SHALL INDEMNIFY SELLER FOR ANY AND ALL CLAIMS OR LIABILITY ASSERTED AGAINST SELLER IN CONNECTION WITH SUCH DEVELOPMENTAL OR EXPERIMENTAL USAGE.

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F. Allocation of Risk. This warranty allocates risks of product failure between Seller and Buyer. This allocation is recognized by both parties and is reflected in the price of the products. Buyer acknowledges that it has read this warranty, understands it, and is bound by its terms and limitations.

14. LIMITATION OF LIABILITIES.

NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE MASTER AGREEMENT EXCEPT IN THE CASE OF IP INFRINGEMENT (SECTION 6), BREACH OF SELLER 'S WARRANTY (SECTION 13) OR BREACH OF ITS CONFIDENTIALITY UNDERTAKINGS, IN NO EVENT WILL SELLER'S TOTAL CUMULATIVE LIABILITY TO BUYER ARISING OUT OF OR RELATED TO THESE STANDARD TERMS AND CONDITIONS OF QUOTATION OF SALE EXCEED THE SUMS PAID BY BUYER TO SELLER UNDER THESE STANDARD TERMS AND CONDITIONS OF QUOTATION OF SALE DURING THE [*] MONTH PERIOD IMMEDIATELY PRECEDING THE EVENT WHICH GAVE RISE TO THE CLAIM, OR [*] MILLION DOLLARS (\$[*]), WHICHEVER IS GREATER. THIS LIMITATION OF LIABILITY IS CUMULATIVE, WITH ALL EXPENDITURES AND PAYMENTS MADE OR OTHER LIABILITY UNDER THIS SECTION OF THIS AGREEMENT BEING AGGREGATED TO DETERMINE SATISFACTION OF THIS LIMIT; THE EXISTENCE OF MORE THAN ONE CLAIM FOR SUCH PRODUCT SHALL NOT ENLARGE THIS LIMIT. THE LIMITATION OF LIABILITY SET FORTH IN THIS SECTION IS A FUNDAMENTAL ELEMENT OF THE BARGAIN BETWEEN SELLER AND BUYER; AND SELLER WOULD NOT PROVIDE THE LICENSED PRODUCTS WITHOUT SUCH LIMITATION OF LIABILITY.

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Cisco/Marvell/EZchip Business Term Agreement

The purpose of this Business Agreement ("Agreement") is to agree on key business terms between Cisco Systems, Inc., a California corporation, having principal offices at 170 West Tasman Drive, San Jose, California 95134-1706 ("Cisco"), Marvell International Ltd., a Bermuda corporation, with offices at Argyle House, 41a Cedar Avenue, Hamilton, HM 12, Marvell Semiconductor Israel Ltd., an Israeli corporation, with offices at 6 Hamada Street, Mordot HaCarmel Industrial Park, Yokneam, Israel 20692 (Marvell International Ltd. And Marvell Semiconductor Israel Ltd. are collectively referred to as "Marvell") and EZchip Technologies Ltd., an Israeli corporation, having principal offices at 1 Hatamar Street, Yokneam 20692, Israel ("EZchip") to meet Cisco's technical and business requirements for the metro Ethernet solutions for MEMRBU and other application programs across Cisco.

The key terms are around

1. **Marvell and EZchip Technology Agreement**
2. **Exclusivity**
3. **Software quote**
4. **Pricing**
5. **Schedule and Milestone**

Marvell and EZchip Technology Agreement

Marvell and EZchip represent and warrant that Marvell and EZchip have entered into a Technology Development, License and Manufacturing Agreement ("Technology Agreement") which includes support obligations by EZchip, protection of confidential information, intellectual property license from EZchip and intellectual property (IP) Escrow provisions, which Marvell represents are sufficient for Marvell to fulfill its obligations to Cisco with respect to manufacture and sale by Marvell of the network processor described in this Agreement (excluding the Schedule and Milestone Section below). Marvell acknowledges that it shall enter into appropriate support arrangements with EZchip, and will possess sufficient rights to EZchip's intellectual property, needed by Marvell to fulfill its obligations to Cisco with respect to manufacture, sale and support of network processors described herein for the duration of time set forth in the [] Agreement executed by Cisco and Marvell Technology Group Ltd. (an affiliate of Marvell) dated [*]. In addition, Marvell shall have the requisite EZchip IP and materials relating to such network processors placed in escrow by EZchip for release to Marvell to allow Marvell to manufacture and sell the network processors to Cisco as required under the terms of the [*]. Marvell shall license EZchip IP and combine it with Marvell IP to develop the NP3C for Cisco.

List of intellectual property licensed by Marvell from EZchip for the purposes of developing the network processor described in this Agreement:

- (i) Network processor technology
- (ii) Traffic management technology
- (iii) The EZchip Intellectual Property Listed on Exhibit B

Marvell shall ensure that EZchip's intellectual property and manufacturing information needed by Marvell to manufacture and sell to Cisco the network processor described in this Agreement are placed in escrow. Further, Marvell acknowledges that Marvell has access to EZchip's intellectual property required for Marvell to manufacture and support the network processors described in this Agreement and provide cost reduction for such network processors during the period of time specified in the[*]. EZchip agrees to work with Marvell in good faith to meet Cisco's requirements for cost reduction for the network processors described in this Agreement.

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EZchip acknowledges that Marvell shall own the mask set for the NP3C network processor (excluding any Cisco and EZchip intellectual property incorporated herein). Marvell will be responsible for manufacturing, qualification and selling of the network processors described in this Agreement to Cisco, at Cisco's election.

Exclusivity:

[*]

Exclusivity period:

[*]

Software:

[*]

Software Support:

- Training
 - To be provided as requested and agreed upon by the parties.
- Support
 - On-site dedicated EZchip microcode engineer for 3 months.
 - On-site EZchip SW driver engineer for 1 month.
 - On-site EZchip and Marvell HW engineer(s) for HW bring-up.
 - On-going local Marvell and EZchip FAE support with EZchip Support team as back-up.
- Sample code made available by EZchip, which is well documented and includes the following applications:
 - L2 switch, IPv4 & IPv6 router, VPLS.
 - New metro application in progress, available in August 2006.

Pricing:

[*]

Schedule and Milestone:

Milestone	Date	Comment
Specification Closure and Kickoff	[*]	
uArch spec closed	[*]	
Floor Plan Start	[*]	Initial netlist for floor planning, layout view of all IP (Memory SerDes, PLL)

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Milestone	Date	Comment
First Netlist	[*]	90% netlist, Ops stack on timing, 80% logic verification
Final Netlist	[*]	100% netlist ready, 99% verification, +12% slack on timing
ECO Round Complete	[*]	
T/O	[*]	
Samples at Marvell	[*]	Internal Samples. +1 WW to Cisco

Open Action Items:

1. Cisco/Marvell/EZchip to conclude a Software licensing agreement.
2. Cisco/Marvell/EZchip need to agree on business agreement of NP4c & future generation exclusivity features.
3. Cisco and Marvell to conclude a SOW for the development of NP3C.
4. Cisco and Marvell to conclude an addendum to the [*] for the purchase of Cisco of NP3C.

Limitation of Liability

NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS AGREEMENT, EXCEPT FOR I) BREACH OF CONFIDENTIALITY OBLIGATIONS HEREUNDER OR II) BREACH OF THE EXCLUSIVITY OBLIGATIONS IN THIS AGREEMENT BY MARVELL OR EZCHIP, UNDER NO CIRCUMSTANCES WILL A PARTY, ITS EMPLOYEES, OFFICERS OR DIRECTORS, AGENTS, SUCCESSORS OR ASSIGNS BE LIABLE TO THE OTHER PARTIES UNDER ANY CONTRACT, STRICT LIABILITY, TORT (INCLUDING NEGLIGENCE) OR OTHER LEGAL OR EQUITABLE THEORY, FOR ANY SPECIAL, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES OR COSTS, INCLUDING, WITHOUT LIMITATION, LOST PROFITS, ARISING OUT OF, OR RELATING IN ANY WAY TO, THE SUBJECT MATTER OF THIS AGREEMENT, REGARDLESS OF WHETHER A PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, THIS SECTION DOES NOT LIMIT A PARTY'S LIABILITY FOR BODILY INJURY (INCLUDING DEATH), OR PHYSICAL DAMAGE TO TANGIBLE PROPERTY. EXCEPT FOR I) BREACH OF CONFIDENTIALITY OBLIGATIONS HEREUNDER; II) BREACH OF THE EXCLUSIVITY OBLIGATIONS IN THIS AGREEMENT BY MARVELL OR EZCHIP; OR III) BREACH BY MARVELL OR EZCHIP OF THE PROVISIONS OUTLINED IN THE MARVELL AND EZCHIP TECHNOLOGY AGREEMENT SECTION ABOVE, UNDER NO CIRCUMSTANCES WILL A PARTY'S LIABILITY FOR DAMAGES HEREUNDER EXCEED A [*].

Confidentiality

The parties have executed a non disclosure agreement dated Feb 2, 2006 ("NDA"). To the extent that the term stated in the NDA terminates prior to the termination of this Agreement, the parties agree that the term of the NDA shall be automatically extended to the term of this Agreement. In addition, notwithstanding any limitations in the NDA, the NDA shall apply to all Confidential Information disclosed in connection with this Agreement, and the purpose of such disclosures shall include the purposes of this Agreement. The parties agree that the contents of this Agreement are Confidential Information within the meaning of that term in the NDA, and that neither will disclose to any third party the existence, intent or terms of this Agreement or the occurrence, content or other information about any discussions, or negotiations which have occurred or will occur except in accordance with the NDA.

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General Terms

Neither party grants any right in or authorizes use of its intellectual property or other proprietary property including without limitation any patent, copyright, trademarks, or trade secrets. This Agreement is made in and shall be governed by the laws of the State of California, without regards to the conflicts of laws provisions thereof and without regard to the United Nations Convention on the International Sale of Goods. The exclusive jurisdiction and venue for any action with respect to this Agreement shall be the state and U.S. federal courts having within their jurisdiction the location of Cisco's principal place of business, and each of the parties hereto submits itself to the exclusive jurisdiction and venue of such courts for the purpose of such action. The failure by a party to exercise any rights hereunder shall not operate as a waiver of such party's right or any other right in the future. This Agreement and all exhibits and attachments hereto constitute the entire agreement between the parties concerning the subject matter hereof.

CISCO SYSTEMS, INC.

By /s/ Prasad Sabada
Name Prasad Sabada
Title Director, Manufacturing
Date November 15, 2006

Marvell International Ltd.

By /s/ Carol Feathers
Name Carol Feathers
Title General Manager
Date October 3, 2006

EZchip Technologies Ltd.

By Eli Fruchter
Name /s/ Eli Fruchter
Title CEO
Date October 25, 2006

Marvell Semiconductor Israel Ltd.

By /s/ [Authorized Representative]
Name _____
Title _____
Date October 15, 2006

Exhibit A

[*]

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Exhibit B

List of EZchip IP

NP-3c Features

- Single chip, programmable, 10-Gigabit full-duplex (20-Gigabit simplex) wire-speed network processor
- Line card, services card and pizza box applications
- Full-duplex and simplex modes of operation
- Flexible processing with programmable packet parsing, classifying, modifying and forwarding
- Ingress and egress traffic management with hierarchical scheduling
- Embedded search engines eliminating the need for external search co-processors
- On-chip OAM protocol processing offload
- [*]
- PCI-Express external host interface

Embedded search engines

- Table entries stored in DRAM; no CAM or SRAM necessary
- Multiple routing, classification and policy lookup tables with millions of entries per table
- Flexible keys and results (associated information) programmed per table
- [*]

Content-aware stateful classifying and processing

- Off-loading control tasks from the control CPU
- Access to all 7 layers for classify and modify
- Maintain state of millions of sessions simultaneously
- On-chip state updates and learning of millions of sessions per second

Programming

- Large code space memory for multiple and complex applications
 - [*]
 - Hitless application upgrades
- Single-image programming model with no parallel programming or multi-threading
- Automatic ordering of frames
- Automatic allocation of frame to processing engines (TOPs)
- [*]

Integrated Traffic Management

- [*]
- User-defined system configuration modes, i.e. user-defined ingress or egress functionality for each traffic manager
- [*]
- LAG shaping
- Work conserving and non-work conserving schedulers
- Frame size from 1 byte to 16KB
- Up to 1 Gbyte total frame memory
- [*]

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- Policing: Per-flow metering, marking and policing for millions of flows
- Enhanced IFG emulation with packet- and cell-based interfaces configurable per user
- Configurable WRED profiles
- Per flow per color WRED statistics
- Packet based accounting WRED configurable in each level
- Shaping: Single and Dual leaky bucket controlling committed/peak rate/bursts (CIR, CIB, PIR, PIB) with IFG emulation for accurate rate control
- [*]
- Scheduling: WFQ and priority scheduling at each hierarchy level
- Hardware flow control per port
- [*]

Operations and Management Offload

- KeepAlive frame generation for precise and accurate session maintenance operations
- KeepAlive watchdog timers for fastest detection time

Statistics and Counters

- [*]
- Per-flow statistics for programmable events, traffic metering, policing and queuing
- [*]
- Programmable threshold settings and threshold exceeded notification
- Dynamic allocation and auto association between counters and flows. Counters are automatically recycled when a flow is aged or deleted.
- [*]
- Auto implementation of token bucket per flow (srTCM or trTCM or MEF5):
 - Hardware implementation of token bucket calculations and coloring (i.e. green, yellow, red)

* This portion of the Exhibit has been omitted pursuant to a Request for Confidential Treatment under Rule 24b-2 of the Securities Exchange Act of 1934. The complete Exhibit, including the portions for which confidential treatment has been requested, has been filed separately with the Securities and Exchange Commission.

CISCO, MARVELL AND EZCHIP
BUSINESS TERM AGREEMENT

The purpose of this Business Term Agreement ("Agreement") is to agree on key business terms between Cisco Systems, Inc. a California corporation, having principal offices at 170 West Tasman Drive, San Jose, California 95134-1706 ("Cisco"), Marvell International Ltd., a Bermuda corporation, with offices at Argyle House, 41a Cedar Avenue, Hamilton, HM 12, Marvell Israel Ltd. (formerly know as Marvell Semiconductor Israel Ltd), an Israeli corporation, with offices at 6 Hamada Street, Mordot HaCarmel Industrial Park, Yokneam, Israel 20692, (Marvell International Ltd. and Marvell Israel Ltd. are collectively referred to as "Marvell"), EZchip Technologies Ltd., an Israel corporation, having principal offices at 1 Hatamar Street, Yokneam 20692, Israel, and EZchip Inc., a Delaware corporation, having principal offices at 900 E. Hamilton Avenue, Suite 100, Campbell, California 95008, (EZchip Technologies Ltd. and EZchip Inc. are collectively referred to as "EZchip") to meet Cisco's technical and business requirements for certain Cisco products. This Agreement shall be effective as of the date last signed by the parties below (the "Effective Date") between and among the parties and their affiliates identified below.

BACKGROUND

- A. Marvell International Limited, a Bermuda corporation with offices at Argyle House, 41a Cedar Avenue, Hamilton, HM 12, together with Marvell Semiconductor Israel Ltd (which subsequently changed its name and currently operates under the name Marvell Israel Ltd), an Israeli corporation located at 6 Hamada Street, Mordot HaCarmel Industrial Park, Yokneam, Israel 20692, and EZchip Technologies Ltd, an Israeli corporation located at 1 Hatamar Street, PO Box 527 Yokenam, 20692, ("EZchip") are parties to the Technology Development, License and Manufacturing Agreement dated April 12, 2006 ("DLA"), and
- B. Cisco Systems International B.V., a Netherlands corporation, with offices at Hoogoorddreef 9, 1101 BA, Amsterdam, Netherlands, and Marvell Technology Group Ltd., a Bermuda corporation, with business offices at Richmond House, 3rd Floor, #12 Par la Ville Road, Hamilton, HM DX Bermuda 1, are parties to a [*1] Agreement ("[*]") dated [*].
- C. Cisco Systems, Inc., Marvell International Ltd., and Marvell Israel Ltd., together with EZchip have previously agreed to a "Cisco/Marvell/EZChip Business Term Agreement," pertaining to the "NP3C" network processor.
- D. Cisco Systems, Inc., Marvell International Ltd. and EZchip Technologies Ltd. are parties to a Software License Agreement for EZChip Design Development Tools, dated on or about April 11, 2007, pursuant to which certain EZchip software is licensed to Cisco (the "SLA").
- E. Cisco, Marvell and EZchip now wish to establish the terms and conditions for the development, licensing and manufacture of the next generation network processor, identified as "NP4" (also known as NP4-G) and "NP4C (also known as NP4-C)."

* This portion of the Agreement has been omitted pursuant to a Request for Confidential Treatment under Rule 24b-2 of the Securities Exchange Act of 1934. The complete Agreement, including the portions for which confidential treatment has been requested, has been filed separately with the Securities and Exchange Commission.

1. Identification of Parties

Cisco Systems, Inc. and Cisco Systems International B.V., and their affiliates, are collectively referred to as "Cisco".

Marvell Technology Group, Marvell International Ltd., and Marvell Israel Ltd are collectively referred to as "Marvell."

EZchip Technologies Ltd. and EZchip Inc. are collectively referred to as "EZchip."

Marvell and EZchip are each a "Supplier" and collectively referred to as the "Suppliers".

2. Representations and Warranties:

Marvell and EZchip represent and warrant that they have entered into the DLA which includes support obligations by EZchip, protection of confidential information, intellectual property licenses from EZchip and intellectual property (IP) escrow provisions. Marvell represents that the terms of the DLA are sufficient for Marvell to fulfill its obligations to Cisco under this Agreement.

Marvell represents that it has entered into appropriate support arrangements and Marvell represents that it possesses sufficient rights and licenses to EZchip's intellectual property rights, needed by Marvell Technology Group Ltd., a Bermuda corporation with offices at Richmond House, 3rd Floor, #12 Par la Ville Road, Hamilton, HM DX Bermuda 1, ("Marvell Technology Group") to fulfill its obligations to Cisco with respect to manufacture, sale and support of network processors described herein for the duration of time set forth in the [*]

List of intellectual property licensed by Marvell from EZchip for the purposes of developing the network processor described in this Agreement:

- (i) Network processor technology
- (ii) Traffic management technology
- (iii) The EZchip Intellectual Property Listed on Exhibit B

3. Escrow

Without limiting any other right or remedy of Cisco, the requisite EZchip intellectual property, manufacturing information and materials relating to the network processors described in this Addendum shall be placed in escrow by EZchip for release to Marvell at any time upon the occurrence of any of the events set forth in Exhibit C (each a "Trigger Event") to allow Marvell to manufacture and sell the network processors to Cisco. Marvell will ensure that all such EZchip intellectual property, manufacturing information and materials are placed in escrow.

4. Ownership

As between EZchip and Marvell, EZchip acknowledges that Marvell shall own the mask set for the NP4C network processor (excluding any Cisco intellectual property and any EZchip intellectual property). Notwithstanding, EZchip shall retain ownership of the EZchip intellectual property and derivatives thereof, excluding any Cisco intellectual property.

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5. Marvell Responsibilities

Marvell will be responsible for manufacturing, qualification and selling of the network processor described in this Agreement to Cisco, at Cisco's election. Subject to the terms of the DLA, EZchip shall be responsible for the qualification of the EZchip intellectual property licensed by EZchip to Marvell.

Subject to the terms of the DLA, Marvell shall license EZchip intellectual property rights and combine it with Marvell intellectual property to develop the NP4 and NP4C. The NP4C will have and perform the features and functionalities described in Exhibit A in accordance with any technical or other specifications for the NP4C.

Marvell will promptly disclose to EZchip the non-binding twelve (12) month forecasts and shipping plans of Cisco's requirements for the NP4C and NP3C on a monthly basis.

6. Exclusivity

Definitions:

"NP4" means the next version to the NP3 network processor that EZchip will make generally available to customers as set forth herein.

"NP4C" means the Cisco-specific version of the NP4 network processor. Marvell and EZchip will make the NP4C available to Cisco on an exclusive basis as set forth herein.

"General Merchant Silicon" for the purposes of this Agreement shall mean off-the-shelf network processors made generally available to third parties by Marvell or EZchip (i.e., the NP3 and NP4).

"NP4 Samples" means pre-production NP4 network processors that have not completed or passed electrical testing and reliability testing, and are not deemed to be production qualified by EZchip.

[*]

Exclusivity periods:

[*]

Exclusivity periods for [*]:

[*]

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If NP4C Product Unavailable to Cisco:

If at any time Cisco reasonably believes (i) Marvell or EZChip is or will be unable to manufacture, deliver, or sell the NP4C to Cisco and its designated third parties in the quantities requested by Cisco or (ii) there are significant bugs or performance issues in the NP4C, then the Suppliers agree that they will offer to sell and deliver the NP4 to Cisco and its designated third parties in the quantities requested by Cisco, subject to the exclusivity terms. After the Distribution Exclusivity Period has expired, the Suppliers may sell and distribute the NP4 to third parties. The price for each NP4 purchased by Cisco or on its behalf by Cisco's designated third parties shall be [*].

[*]

7. Pricing:

[*]

8. Schedule and Milestone:

Milestone	Committed	Description
Full chip final RTL drop	[*]	Fully verified, Timing fixed, Final netlist
Last ECO	[*]	No ECO beyond this date
Tape-Out (base layers)	[*]	
Samples @ Marvell Israel	[*]	With Expedites, Hand Carry, Super Hot Lots
Samples @ Cisco	[*]	Blind samples can be available earlier

9. NP4 and NP4C Marking Requirement

[*]

10. Confidentiality

The parties have executed a non disclosure agreement dated Feb 2, 2006 ("NDA"). To the extent that the term stated in the NDA terminates prior to the termination of this Agreement, the parties agree that the term of the NDA shall be automatically extended to the term of this Agreement. In addition, notwithstanding any limitations in the NDA, the NDA shall apply to all Confidential Information disclosed in connection with this Agreement, and the purpose of such disclosures shall include the purposes of this Agreement. The parties agree that the contents of this Agreement are Confidential Information within the meaning of that term in the NDA, and that neither will disclose to any third party the existence, intent or terms of this Agreement or the occurrence, content or other information about any discussions, or negotiations which have occurred or will occur, except in accordance with the NDA. To the extent there is a conflict between the confidentiality obligations of this Agreement and the NDA with respect to the [*], the confidentiality obligations of this Agreement will control.

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11. Limitation of Liability

NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS AGREEMENT, EXCEPT FOR I) BREACH OF CONFIDENTIALITY OBLIGATIONS HEREUNDER; OR II) BREACH OF ANY OBLIGATION PURSUANT TO SECTION 6, EXCLUSIVITY, UNDER NO CIRCUMSTANCES WILL A PARTY, ITS EMPLOYEES, OFFICERS OR DIRECTORS, AGENTS, SUCCESSORS OR ASSIGNS BE LIABLE TO THE OTHER PARTIES UNDER ANY CONTRACT, STRICT LIABILITY, TORT (INCLUDING NEGLIGENCE) OR OTHER LEGAL OR EQUITABLE THEORY, FOR ANY SPECIAL, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES OR COSTS, INCLUDING, WITHOUT LIMITATION, LOST PROFITS, ARISING OUT OF, OR RELATING IN ANY WAY TO, THE SUBJECT MATTER OF THIS AGREEMENT, REGARDLESS OF WHETHER A PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. THIS SECTION DOES NOT LIMIT A PARTY'S LIABILITY FOR BODILY INJURY (INCLUDING DEATH), OR PHYSICAL DAMAGE TO TANGIBLE PROPERTY. EACH PARTY ACKNOWLEDGES THAT THIS WAIVER OF CONSEQUENTIAL AND OTHER DAMAGES REFLECTS THE ALLOCATION OF RISKS BETWEEN THEM AND FORMS AN ESSENTIAL PART OF THE BARGAIN BETWEEN THEM.

12. General Terms

Any terms not defined in this Agreement shall have the meaning stated in the DLA, [*], and/or SLA. Except as modified by this Agreement, all terms and conditions of the DLA, [*], and SLA shall remain in full force and effect. In the event of a conflict between the terms and conditions of this Agreement and any terms and conditions of the DLA, [*], and/or SLA, this Agreement will prevail with regard to the subject matter herein to the extent that a party is a party to such an agreement.

This Agreement and the DLA, [*], and SLA are the complete agreements between the parties to the extent that a party is a party to such an agreement and supersede all prior oral and written agreements, representations, warranties and commitments of the parties regarding subject matter herein.

[SIGNATURE PAGE FOLLOWS]

* This portion of the Agreement has been omitted pursuant to a Request for Confidential Treatment under Rule 24b-2 of the Securities Exchange Act of 1934. The complete Agreement, including the portions for which confidential treatment has been requested, has been filed separately with the Securities and Exchange Commission.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed. Each party warrants and represents that its respective signatories whose signatures appear below have been and are on the date of signature duly authorized to execute this Agreement.

CISCO SYSTEMS, INC.

By /s/ Prasad Sabada
Name Prasad Sabada
Title Senior Director, CVCM
Date December 7, 2010

Marvell International Ltd.

By /s/ Ken Goertzen
Name Ken Goertzen
Title Alternate Director
Date September 3, 2010

EZchip Technologies Ltd.

By /s/ Eli Fruchter
Name Eli Fruchter
Title CEO
Date November 11, 2010

EZchip Inc.

By /s/ Eli Fruchter
Name Eli Fruchter
Title CEO
Date November 11, 2010

Marvell Israel Ltd

By /s/ Eliaz Lavy
Name Eliaz Lavy
Title Sr. V.P. and G.M M.I.S.L.
Date October 17, 2010

Exhibit A

[*]

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Exhibit B**List of EZchip IP****NP-4 Features**

- Single-chip, programmable, 100-Gigabit throughput (50-Gigabit full duplex) wire-speed network processor
- On-chip scaling bus options for up to 100G full duplex processing and TM
- Line card, services card and pizza box applications
- Based on EZchip's NP-3 with performance scaling and an enhanced feature set
- On-chip Control CPU, and host offload
- On-chip Fabric Interface Controller for interfacing with Ethernet fabrics as well as third-party fabric solutions
- System-wide traffic management
- Ingress and egress traffic management with hierarchical scheduling
- Flexible processing with programmable packet parsing, classifying, modifying and forwarding
- Embedded search engines eliminating the need for external search co-processors
- On-chip OAM protocol processing offload
- Internal switch, for line card scaling, and enhanced data flow flexibility
- FIC (Fabric Interface Chip) functionality integration for direct connection to cell based and packet based switching complex, including basic Ethernet fabrics
- System-wide traffic management with end-to-end QoS, dedicated QOS CPU
- Ten XAUI interfaces
 - Supports RXAUI protocol
- 24 quad-speed SGMII ports or 48 tri-speed QSGMII ports
- Support for OC-768
- Support for 100G Ethernet
- On-chip hardware time stamping supporting IEEE1588v2
- Support for CES and Synchronous Ethernet ITU-T8261
- PCI-Express external host interface
- Comprehensive on-chip diagnostic hardware support

Embedded search engines

- Table entries stored in DRAM; no CAM or SRAM necessary
 - Reducing system chip count, power dissipation and cost
 - Providing up to 2 Gbytes lookup tables headroom
- Multiple routing, classification and policy lookup tables with millions of entries per table
- Flexible keys and results (associated information) programmed per table
- Support for long keys (up to 80 bytes) and long results (up to 96 bytes) per table entry

Content-aware stateful classifying and processing

- Access to all 7 layers for classify and modify
- Maintain state of millions of sessions simultaneously
- On-chip state updates and learning of millions of sessions per second

Programming

- Large code space memory for multiple and complex applications
 - [*]
 - Hitless code upgrades
- Single-image programming model with no parallel programming or multi-threading
- Automatic ordering of frames
- Automatic allocation of frames to processing engines (TOPs)
- Automatic passing of messages among TOPs
- Microcode compatible with EZchip's NP-3 and NP-2 (NP-2a and NP-2b) network processors

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Interfaces

- Ten XAUI interfaces:
 - Ten on-chip 10G/20G MACs
 - 3.125Gbps; 6.25Gbps per lane
 - Channelized operation with up to 256 channels
 - In band and out of band flow control
 - Connection to Ethernet and TDM framers
 - Cell-based and packet-based operation
 - Support for SPAUI and Interlaken
 - Supports RXAUI protocol
- 24 quad-speed SGMII Ethernet interfaces or 48 tri-speed QSGMII Ethernet interfaces
- External Host interface:
 - 1-lane PCI-Express 2.5Gbps for control CPU interface
 - Additional 2xSGMII GE ports
- MDC/MDIO master port for 1G copper PHY; continuous polling mode by HW
 - There are 3 master interfaces: 2 for SGMII ports, 1 for XAUI ports
 - All masters support both clause 24 (1G) and clause 45 (10G)
- LED interface for port status exporting
- External memory interfaces:
 - External TM memory interface (optional):
 - DDR3 SDRAM
 - 666 MHz DDR; 8x16 bit
 - 4 GB max. (16M frames)
 - External lookup table memory interface:
 - DDR3
 - 666 MHz DDR; 4x32 bit
 - 4 GB max.
 - 8 DDR3 devices
 - External statistics memory interface:
 - RDRAM2-SIO
 - 533 MHz DDR; 2x18 bit
 - 1/2 devices
 - ECC protected internal and external memories
- External TCAM interface:
 - Especially useful for fast lookups through large tables with wildcards, such as Access Control Lists (ACL)
 - Interlaken-LA, 24 lanes, 6.25Gbps, 400Mkps, 1600sps

Integrated Traffic Management

- Unified 50/100Gbps Traffic Manager
- 200Mpps throughput
- Combines both ingress and egress functionality
- Dynamic hitless resource allocation
- Dynamic hitless reconfiguration
- Dynamic concatenated TM scheme
- LAG shaping
- Work conserving and non-work conserving schedulers

- Frame sizes from 1 byte to 16 KB
- Up to 4 Gbytes total frame memory
- Up to 16M frames
- Per Flow Queuing (PFQ) with 5-level hierarchical scheduling:
 - 32 interfaces
 - 256 ports
 - 4K subports
 - 32K classes/users
 - 256K flows (8-16 per subscriber)
- 8 classes of service per subscriber
- Advanced per packet control:
 - Per packet IPG
 - Per packet internal switch destination & COS
 - Per packet WRED profile reference
- Dynamic mapping of all hierarchies
- Dual shaper in each hierarchy
- Programmable priority propagation in all hierarchies
- External TM control bus for external user-defined scheduler
- Policing: Per-flow metering, marking and policing for millions of flows
- Configurable WRED profiles
- Per flow per color WRED statistics
- Shaping: Single and Dual leaky bucket on committed/peak rate/bursts (CIR, CBS, PIR, PBS), with IFG emulation for accurate rate control
- Scheduling: WFQ and priority scheduling at each hierarchy level
- Per frame statistics
- Per frame timestamp and timeout drop
- Hardware flow control per port
- Flow control generation management scheme based on a per source and/or destination port accounting

Operations and Management Offload

- KeepAlive frame generation for precise and accurate session maintenance operations
- KeepAlive watchdog timers for fastest detection time
- 802.1ag compliant full offload
- Per OAM session state tracking and reporting
- Flexible statistics and performance monitoring

Data Flow Features

[*]

TOP Features

[*]

Statistics and Counters

- Up to 16M 64-bit counters via external memory

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- Per-flow statistics for programmable events, traffic metering, policing and shaping
- Programmable threshold settings and threshold exceeded notification
- Dynamic allocation and auto association between counters and flows. Counters are automatically recycled when a flow is deleted or aged.
- Auto implementation of token bucket per flow (srTCM or trTCM or MEF5):
 - Hardware implementation of token bucket calculations and coloring (i.e. green, yellow, red)

Power Management

- Per interface power-up/power-down
- Configurable number of active TOP engines at each stage, for best power optimization per application

Diagnostics

- Interface built-in self test (BIST) for all NP-4 memory interfaces
- Remote and internal loopback on all SGMII/QSGMII and XAUI interfaces
- Externally controlled 64-bit RTC with time stamping and time loading support
- Activity meters for all NP-4 clock domains with 64-bit phase meters per clock, supporting synchronous time stamp latching
- PLL status monitors
- Power management monitors on all NP-4 clock and power domains

Exhibit C

A Triggering Event refers to any of the following:

1. Termination by Marvell of the Technology Development, License and Manufacturing Agreement dated April 12, 2006 (“DLA”) due to any of the following.
 - (a) EZchip becomes insolvent or makes a general assignment for the benefit of its creditors, or EZchip dissolves, except where such dissolution results directly from:
 - (i) a corporate reorganization which results in the holders of a majority of EZchip’s voting securities - prior to such reorganization - (x) continuing to hold at least 51% of the voting securities of the entity surviving such reorganization, or (y) holding substantially all of the assets of EZchip and continuing to operate the business of EZchip, or
 - (ii) EZchip merging with or into a third party, as a result of which holders of EZchip’s equity securities prior to the merger hold less than 50% of the equity securities of EZchip after the closing of such merger; or, EZchip sells all or substantially all of its assets to a third party, and based on Marvell’s reasonable discretion, said third party is not a competitor of Marvell with respect to the subject matter of this Agreement;
 - (b) a voluntary or involuntary petition or proceeding is commenced by or against EZchip under the Federal Bankruptcy Act or any other statute of any state or country relating to insolvency or the protection of the rights of creditors, or any other insolvency or bankruptcy proceeding or other similar proceeding for the settlement of EZchip’s debt is instituted and is not dismissed within 60 days from the date of such filing; or
 - (c) a receiver of all or substantially all of EZchip’s property is appointed, and is not removed within 30 days;

In these situations, Marvell shall be entitled deliver to the Escrow Agent and EZchip a Release Notice together with an affidavit. The Escrow Agent shall be required to promptly confirm receipt by EZchip.

The Escrow Agent shall release the escrowed technology to Marvell between 5 and 10 business days from the escrow agent receiving notice confirmation from EZchip; unless the triggering event is cured. A triggering event is cured if EZchip provides sufficient evidence to this effect.

2. Additional Triggering Events

- (a) EZchip materially breaches the DLA provided the breach requires Marvell’s use of any escrowed technology to remedy said breach.

(b) EZchip materially fails to perform its support obligations under the Statement of Work applicable to the NP4-C (other than due to Marvell's failure to perform its obligations in connection with such development) after the occurrence of (i) an "M&A Transaction" (as defined herein) or (ii) a Change of Control (as defined below) in EZchip, LanOptics Ltd., or any other parent company of EZchip.

For purposes of this Exhibit C, "**M&A Transaction**" means the merger of EZchip with or into a third party, as a result of which holders of EZchip's equity securities prior to the merger hold less than 50% of the equity securities of EZchip after the closing of such merger, or EZchip sells all or substantially all of its assets to a third party and "**Change of Control**" means a transaction or series of transactions in which EZchip, LanOptics Ltd. or any other parent company of EZchip undergoes a change in the party or parties that directly or indirectly own more than fifty percent (50%) of the voting stock or shares or other form of entity ownership (e.g. partnership interests).

In these situations, Marvell shall provide EZchip with a written notice informing EZchip of the occurrence of such event in reasonable detail. By no later than 30 days following the receipt of such written notice, EZchip shall be required to provide Marvell with a written cure plan in reasonable detail with the steps which EZchip intends to take in order to cure such plan. Marvell shall be entitled to disclose such plan to Cisco under an obligation of confidentiality.

In the event that EZchip fails to (i) provide Marvell an acceptable cure plan within such thirty (30) day period, or (ii) EZchip fails to cure the triggering event within the period specified in an accepted plan, Marvell shall be entitled to deliver the Release notice and Affidavit to the Escrow Agent (with a copy to EZchip). The Escrow Agent shall be required to promptly obtain Notice Confirmation from EZchip.

The Escrow Agent shall release the escrowed technology to Marvell between 5 and 10 business days from the escrow agent receiving notice confirmation from EZchip; unless EZchip provides sufficient evidence that it has provided a plan within the 30 day period above or it has complied or is in compliance with the plan. Marvell shall return the escrowed technology to the Escrow Agent upon the sooner of (a) the date twelve (12) months after the release date, or (b) the date that the applicable triggering event is cured.

(c) EZchip does not, or revokes, the license to its requisite Intellectual Property Rights to Marvell to (xx) enable Marvell combine the EZchip Intellectual Property Rights with Marvell's intellectual property and (yy) develop the NP4 and NP4C for Cisco, without material cause by Marvell.

3. EZchip's material and ongoing failure to perform or propose a Bug Fix deemed by Cisco to be required with respect to the NP4-C, the applicable Deliverables or the applicable Design Materials.

- Deliverables and Design Materials include EZchip IP, licensed software, technology and materials associated with the NP4-C.

In this situation, EZchip shall have a period of 90 days following the receipt of Marvell's written notice and demand for cure to provide a plan that describes EZchip's plan to provide a bug fix. Marvell agrees to provide assistance and shall have the right to audit EZchip on a weekly basis. Should it be determined by Marvell, acting reasonably, that the plan is not being executed in accordance with its terms due to a failure by EZchip, Marvell shall be entitled to deliver a Release Notice and Affidavit to the Escrow Agent (with a copy to EZchip). The Escrow Agent shall be required to promptly confirm the receipt by EZchip (with a copy to EZchip) and EZchip's confirmation that the plan is not being executed in accordance with its terms due to a failure on its part.

The Escrow Agent shall release the escrowed technology to Marvell between 5 and 10 business days from the escrow agent receiving notice confirmation from EZchip; unless EZchip provides sufficient evidence that it has provided the Bug Fix or it has complied or is in compliance with the plan. Marvell shall return the escrowed technology to the Escrow Agent upon the sooner of (a) the date twelve (12) months after the release date, or (b) the date that EZchip provides the applicable Bug Fix.

CUSTOM SALES AGREEMENT

BASE AGREEMENT

International Business Machines Corporation

281 Winter Street
Waltham, MA 02451, USA

Agreement No. 000590

E.Z. Chip: E.Z. Chip Technologies Ltd.
Ramat Gabriel Industrial Park
POB 184
10551 Migdal Haemek
Israel

This Custom Sales Agreement between E.Z. Chip Technologies Ltd. ("E.Z. Chip") and International Business Machines Corporation ("IBM"), which consists of this Base Agreement and Statement of Work Attachments, shall be referred to as the "Agreement". The term of this Agreement commences on the last date of signature below and expires five (5) years thereafter.

By signing below, the parties each agree to be bound by the terms and conditions of this Agreement including the initial Statement of Work, Attachment No. 1, and no additional signature on the initial Statement of Work is required. Subsequent Statement of Work Attachments under this Agreement must be signed by the parties to become effective.

Upon signature by both parties, it is agreed this Agreement constitutes the complete and exclusive agreement between them superseding all contemporaneous or prior agreements and other communications between them, written or oral, relating to the subject matter of this Agreement, notwithstanding anything contained in any document issued by either party. This Agreement may not be amended or modified except by a written amendment signed by duly authorized signatories of both parties.

The parties expressly acknowledge that they have received and are in possession of a copy of any referenced item which is not physically attached to the Agreement and any such item will be treated as if attached.

Accepted and Agreed To:
E.Z. Chip Technologies Ltd.

International Business Machines Corporation

By: /s/ Eli Fruchter
Name: Eli Fruchter
Title: President and CEO

By: John Beiswenger
Name: John Beiswenger
Title: Exec. Mgr. MD WW Contracts &
Business Practices, IBM Technology Group
28 October 2000

30/10/2000

1.0 DEFINITIONS

Capitalized terms in this Agreement have the following meanings. An Attachment may define additional terms; however, those terms apply only to that Attachment.

1.1 "Item" shall mean any part, specification, design, document, report, data or the like which E.Z. Chip delivers to IBM under this Agreement and which E.Z. Chip marks as "Use Restricted", "Confidential" or "Proprietary".

1.2 "Product" shall mean production units to be sold or purchased under this Agreement. Products shall not include Prototypes.

1.3 "Prototype" shall mean a preliminary version of a Product which may or may not be functional, is intended for internal use and testing and not for resale, and is not suitable for production in commercial quantities.

1.4 "Purchase Order Lead Time" shall mean the required minimum amount of time between IBM's receipt of the purchase order issued by E.Z. Chip and the requested shipment date that is necessary to accommodate manufacturing cycle time.

1.5 "Related Company" of a party hereunder shall mean a corporation, company or other entity which controls or is controlled by such party or by another Related Company of such party, where control means ownership or control, direct or indirect, of more than fifty (50) percent of: (i) the outstanding voting shares or securities (representing the right to vote for the election of directors or managing authority), or (ii) the ownership interests representing the right to make decisions for such a corporation, company or other entity (as the case may be in a partnership, joint venture or unincorporated association having no outstanding shares or securities). However, any such corporation, company or other entity shall be deemed to be a Related Company of such party only so long as such ownership or control exists.

1.6 "Service" shall mean any manufacturing activity or design, or engineering work IBM performs.

1.7 "Shipment Date" shall mean IBM's estimated date of shipment.

2.0 AGREEMENT STRUCTURE

2.1 This Agreement consists of: (i) the Base Agreement which defines the basic terms and conditions of the relationship between the parties; and (ii) Attachments which specify the details of a specific work task. An Attachment may include additional or differing terms and conditions, however such terms and conditions apply only to that Attachment. Attachments also include any specification documents agreed to by the parties applicable to the specific work under that Attachment.

2.2 If there is a conflict among the terms and conditions of the various documents, Attachment terms and conditions govern.

IBM & EZCHIP CONFIDENTIAL

2.3 Except for Product part numbers, part number descriptions, prices and quantities, purchase orders and acknowledgements will be used to convey information only and any terms and conditions on those are void and replaced by this Agreement.

2.4 E.Z. Chip and its wholly owned subsidiaries may order under this Agreement. Either party may include its other Related Companies under this Agreement by written agreement with the other party.

2.5 For non-U.S. sales (E.Z. Chip takes title outside the U.S.), the contract of sale for Products and/or Prototypes purchased under this Agreement will be between the IBM legal entity that will supply the Products and/or Prototypes ("the Plant") and E.Z. Chip. It is agreed that all such orders will incorporate the terms of this Agreement whether expressly referenced or not, and will only be accepted subject to the terms of this Agreement. Orders will be accepted by the Plant when it issues an acceptance document thereby creating the contract of sale for the Products. IBM reserves the right to enforce the provisions of this Agreement on behalf of the Plant.

2.6 For U.S. sales (E.Z. Chip takes title within the U.S.), the contract of sale for Products and/or Prototypes purchased under this Agreement will be between IBM and E.Z. Chip.

2.7 Any purchase order submitted by E.Z. Chip during the term of this Agreement (whether or not it references this Agreement) for Products, Prototypes, or Services from IBM's Microelectronics Division shall be subject to and governed by the terms and conditions of this Agreement, unless there is another signed, written agreement in place between IBM and E.Z. Chip with respect to the subject matter of the purchase order. The foregoing shall be in effect regardless of whether E.Z. Chip and IBM have executed any Attachment specific to the Products, Prototypes, or Services ordered. If no such Attachment has been executed, then the terms of the Attachment most recently executed by E.Z. Chip and IBM shall control, except with respect to those matters which are uniquely applicable to the specific Product, Prototype or Service in question (such as specific NRE charges, Product pricing, specific Items and deliverables, Product names and descriptions, Purchase Order Lead Times, and demand forecasts).

3.0 ORDER AND DELIVERY

3.1 E.Z. Chip shall order Products, Prototypes and Services by issuing written purchase orders, which are subject to acceptance by IBM. Purchase orders must be received by IBM in advance, allowing at least for the Purchase Order Lead Time specified in the applicable Attachment. IBM shall be entitled not to accept any purchase order from E.Z. Chip (i) if such purchase order does not comply with the terms and conditions of this Agreement and any applicable Attachment (for example, the purchase order is for Products, Prototypes or Services in a quantity beyond that provided in this Agreement and any applicable Attachment, specifies a price other than that provided in this Agreement and any applicable Attachment, or is for an item not listed in an applicable Attachment as a Product, Prototype or Service) and/or (ii) the acceptance and performance of which would result in IBM incurring liability for breach of an existing contractual obligation to a third party concerning a commitment to provide capacity to such third party, but in any such case IBM shall be entitled not to accept the purchase order only after it has sought to agree to an alternative delivery schedule with E.Z. Chip based upon the earliest available capacity and/or (iii) which IBM is not able to perform due to a supply constraint (as defined in Section 5.1. below).

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3.2 E.Z. Chip is responsible for all freight and duty charges from IBM's shipping location. Title and risk of loss pass to E.Z. Chip upon tender to the carrier for shipment to E.Z. Chip. At E.Z. Chip's request, IBM will support E.Z. Chip in procuring, at E.Z. Chip's expense, shipping and insurance for the Products.

4.0 EZCHIP's RESPONSIBILITIES

E.Z. Chip represents and warrants that:

4.1 Products will be: (1) integrated or incorporated into systems sold under E.Z. Chip's logo or trade name unless otherwise specified by IBM in writing; or (2) distributed in incidental additional quantities for use as service or upgrade parts in systems E.Z. Chip has sold. E.Z. Chip may also use up to 5% of the Products internally.

4.2 E.Z. Chip will not use any Products, Prototypes or Services acquired hereunder, or sell or transfer such Products, Prototypes or Services to any others including civilian end users for use, in conjunction with medical devices, military or nuclear applications.

4.3 E.Z. Chip will keep suitable records to show compliance with this Agreement. At IBM's request, E.Z. Chip will demonstrate to IBM that E.Z. Chip has fully complied with the Agreement's terms.

4.4 E.Z. Chip will not: (1) make any representations or warranties about IBM or IBM's involvement in the design, engineering or manufacturing of Products, Prototypes or Services other than those IBM specifically authorizes in writing; or (2) take any action or make any commitment on IBM's behalf.

5.0 CANCELLATION AND RESCHEDULING

5.1 In the event that IBM's ability to supply Product becomes constrained, IBM may, as IBM deems reasonable, reduce quantities or delay shipments to E.Z. Chip. IBM's ability to supply a Product is "constrained" any time when demand (based on forecasts, pending and/or committed orders) from all IBM customers (including internals and externals) exceeds the available supply for products that use the same or similar technology, manufacturing process and/or components as the Product. IBM will provide E.Z. Chip with notice of any such supply constraint after IBM has knowledge of the constraint.

5.2 E.Z. Chip may cancel or reschedule an order only upon prior written notice to IBM. In the event of a cancellation or reschedule which exceeds the rescheduling rights set forth in an applicable Attachment, E.Z. Chip shall pay the quoted price for Products, Prototypes and/or Services delivered or ready for shipment and the cancellation charges set forth in the applicable Attachment.

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5.3 In the first year of production, invoiced prices will be based on E.Z. Chip's 12 months forecast. The parties will meet annually to review and determine any applicable unit price adjustments based on the actual quantities shipped by IBM during the previous year.

6.0 PAYMENT

6.1 Prices shall be as set forth in an applicable Attachment. IBM shall invoice E.Z. Chip after the Products or Prototypes have been shipped or the Services provided. E.Z. Chip shall pay the full amount of the invoice within [] of the invoice date, provided however, that in the event IBM determines E.Z. Chip has exceeded its credit limit with IBM, then IBM shall have the right, in its sole discretion, to require payment before shipment or payment via letter of credit. IBM may stop shipments to E.Z. Chip if E.Z. Chip does not comply with applicable credit terms or limits or this Agreement. Late payment of invoices may be assessed a charge equal to the lesser of 1.5% of the balance due per month or the statutorily allowed maximum rate of interest in accordance with applicable law.

7.0 TAXES

7.1 E.Z. Chip is responsible for all taxes related to Products, Prototypes and Services except for taxes based on IBM's net income.

8.0 LIMITED WARRANTY

8.1 IBM warrants all Products to be free from defects in material and workmanship for a period of thirty (30) days from date of shipment unless otherwise stated in an Attachment applicable to such Products. E.Z. Chip acknowledges that the functionality of Products is contingent on E.Z. Chip's designs and, therefore, such warranty does not apply to the functionality of Products fabricated under this Agreement. IBM does not warrant: (a) uninterrupted or error free operation of the Products; or (b) that IBM will correct all defects. IBM warrants Services will be performed using reasonable care and skill.

8.2 IBM's sole liability and E.Z. Chip's sole remedy for breach of warranty shall be limited as stated in this Section 8 and Section 12, and in applicable Attachments.

8.3 If E.Z. Chip claims that any Products are nonconforming, E.Z. Chip shall (1) promptly notify IBM in writing of the basis for such nonconformity; (2) follow IBM's instructions for return of the Products; and (3) at IBM's request, return the Products freight collect to the IBM designated location. IBM has sole discretion to apply minimum return quantities.

* This portion of the Agreement has been omitted pursuant to a Request for Confidential Treatment under Rule 24b-2 of the Securities Exchange Act of 1934. The complete Agreement, including the portions for which confidential treatment has been requested, has been filed separately with the Securities and Exchange Commission.

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8.4 If IBM determines such Products do not meet the warranty, IBM will, at its option, repair or replace the Products or issue a credit at the price in effect as of the date of the credit. If IBM replaces the Products, the returned Products become IBM's property, but may not be re-sold by IBM and shall be used solely for quality control analysis destroyed or stripped from its properties and recycled. This warranty does not cover Products that are defective because of: (a) accident, abuse, misuse, negligence, modification, or improper maintenance; (b) failure caused by a product which IBM did not provide or for which IBM is not responsible; or (c) use or storage in other than IBM's specified operating environment. This warranty is void if Product labels have been removed or altered.

8.5 This warranty is not transferable. No course of dealing, course of performance, usage of trade, or description of Product, Prototype or Service shall be deemed to establish a warranty, express or implied.

8.6 ALL PROTOTYPES ARE PROVIDED "AS IS" WITHOUT WARRANTY OR INDEMNIFICATION OF ANY KIND BY IBM.

8.7 THE FOREGOING WARRANTIES ARE E.Z. CHIP'S EXCLUSIVE WARRANTIES AND REPLACE ALL OTHER WARRANTIES OR TERMS, EXPRESS OR IMPLIED, INCLUDING THE WARRANTY OF NONINFRINGEMENT AND THE IMPLIED WARRANTIES OR TERMS OF MERCHANTABILITY, FITNESS OR USAGE FOR PARTICULAR PURPOSE, AND SATISFACTORY QUALITY.

9.0 PATENTS AND COPYRIGHTS

9.1 If a third party claims that a Product or Service IBM provides to E.Z. Chip infringes that party's patent or copyright, IBM will defend E.Z. Chip against that claim at IBM's expense and pay all costs, damages, and attorney's fees that a court finally awards, provided that E.Z. Chip:

1. promptly notifies IBM in writing of the claim; and
2. allows IBM to control, and cooperates with IBM in, the defense and any related settlement negotiations.

If such a claim is made or appears likely to be made, E.Z. Chip agrees to permit IBM to enable E.Z. Chip to continue to use the Product or Service, or to modify it, or replace it with one that is at least functionally equivalent. If IBM determines that none of these alternatives is reasonably available, E.Z. Chip agrees to return the Product or Service to IBM upon written request. IBM will then provide E.Z. Chip a credit equal to the amount E.Z. Chip paid for the given Product or Service.

This is IBM's entire obligation to E.Z. Chip regarding any claim of infringement.

9.2 IBM shall have no obligation regarding any claim based on any of the following:

1. anything E.Z. Chip provides which is incorporated into a Product or Service (including, but not limited to, specifications, designs, documents, reports, or data);
2. E.Z. Chip's modification of a Product or Service;
3. the combination, operation, or use of a Product or Service with any product, data, or apparatus that IBM did not provide; or
4. infringement by a non-IBM product alone, as opposed to its combination with Products IBM provides to E.Z. Chip as a system.

9.3 If a third party claims that a Product or Service IBM provides to E.Z. Chip infringes that party's patent or copyright, and such claim is based upon any of the factors specified in Section 9.2, E.Z. Chip will defend IBM against that claim at E.Z. Chip's expense and pay all costs, damages, and attorney's fees that a court finally awards, provided that IBM:

1. promptly notifies E.Z. Chip in writing of the claim; and
2. allows E.Z. Chip to control, and cooperates with E.Z. Chip in, the defense and any related settlement negotiations.

10.0 INTELLECTUAL PROPERTY RIGHTS AND LICENSES

10.1 E.Z. Chip warrants that it is the originator, rightful owner or licensee of all Items supplied to IBM hereunder and that to the best of E.Z. Chip's knowledge no part of such Items infringes any intellectual property rights.

10.2 Title to all intellectual property rights in respect of Items shall be vested in E.Z. Chip, except to the extent that the intellectual property contained in any Item belongs to IBM or another party, or is otherwise in the public domain.

10.3 IBM or its licensors shall retain and have all intellectual property rights (including, without limitation, mask work rights) associated with, and process technology furnished by IBM in connection with, the Products, and their design, development or manufacture, including, but not limited to:

- I. all base diffusion layers;
- II. all IBM-licensed design rules, libraries, macros, cores/IP blocks; and

III. all IBM-furnished modifications of any such elements,

save to the extent, if any, that such intellectual property rights and such circuitry design are furnished by, or originate from E.Z. Chip.

10.4 Any individual who has seen Items under this Agreement shall not be precluded from working on other projects including those that relate to similar subject matter, provided that the individual does not make reference to the Items and does not copy the substance of the Items for use on such other projects. Furthermore, nothing herein shall be construed as restricting IBM from disclosing or using any general learning, skills or know-how developed by its personnel as a result of having access to Items under this Agreement, if a person of ordinary skill in the relevant area would not regard such actions as a material disclosure or use of the specific Items.

IBM may disclose the Items to its consultants and contractors with a need to know. Such disclosure shall comply with the terms and conditions of the Confidential Agreement No. C00754-X03038 entered into by the parties on 18 May 2000.

10.5 Subject to the provisions of sections 10.2, and 10.3 and 10.4, IBM shall use Items only for the purposes of fulfilling this Agreement and for no other purpose whatsoever.

10.6 The unique mask work right in the final overall mask set for each Product shall be the joint property of IBM and E.Z. Chip. At E.Z. Chip's request and expense, IBM shall apply for mask work protection in the names of E.Z. Chip and IBM jointly. Neither party shall use such mask work right otherwise than for enforcing such right against any infringer thereof. Each party agrees that the other party may proceed independently against any infringer of such mask work right. Neither party shall have a duty of accounting to the other with respect any of such proceedings or profits derived from its interest in such mask work right as a result of such proceedings.

10.7 E.Z. Chip acknowledges and agrees that place and route data, database tapes, mask sets (including the final overall mask set for the Products) and other customized data relating to the Products contain proprietary information of IBM as well as of E.Z. Chip and such materials shall, therefore, be held at all times in IBM's custody. IBM shall own any tangible mask made by IBM using documents, drawings and models provided by E.Z. Chip. IBM shall use any tangible netlist tapes, test tapes and GDS II tapes received from E.Z. Chip or generated exclusively for E.Z. Chip under this Agreement, and any mask made from such GDS II tapes, only to manufacture the Products to be sold to E.Z. Chip.

10.8 IBM shall not have any right without the prior written consent of E.Z. Chip to manufacture, sell or license any of the Products developed hereunder to any third party.

10.9 No license, immunity or other right is granted herein to E.Z. Chip, whether directly or by implication, estoppel, or otherwise, with respect to any patent, trademark, copyright, mask work, trade secret, utility model, know-how, or other intellectual property rights, with the exception of E.Z. Chip's right to use Products supplied hereunder. Such right does not include any license or immunity, express or implied, under any patent of IBM or its Related Companies covering the combination of the Products with other products purchased from others or the use of any such combination, or under a patent or other intellectual property right of any third party relating to the combination of the Products with any other products. The right to use any such patent or any such other intellectual property right must be licensed separately and directly from the owner(s) thereof.

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11.0 TRADEMARK

11.1 Nothing in this Agreement grants either party any rights to use the other party's trademarks or trade names, directly or indirectly, in connection with any product, prototype, service, promotion, publication or publicity without prior written approval of the other party or trademark or trade name owner.

12.0 LIMITATION OF LIABILITY

12.1 Circumstances may arise where, because of a default on IBM's part or other liability, E.Z. Chip is entitled to recover damages from IBM. In each such instance, regardless of the basis on which E.Z. Chip is entitled to claim damages from IBM (including fundamental breach, negligence, misrepresentation, or other contract or tort claim), the following terms apply as Customer's exclusive remedy and IBM's exclusive liability. IBM is liable for no more than:

1. payments referred to in the patents and copyrights terms above;
2. damages for bodily injury (including death) and damage to real property and tangible personal property; and
3. the amount of any other actual direct damages up to the greater of U.S. \$[2] (or equivalent in local currency) or the charges for the Product or Service that is the subject of the claim.

This limit also applies to any of IBM's subcontractors. It is the maximum for which IBM and its subcontractors are collectively responsible.

12.2 Under no circumstances is IBM, or its subcontractors, liable for any of the following:

1. third-party claims against E.Z. Chip for damages (other than those under the first two items listed above);

* This portion of the Agreement has been omitted pursuant to a Request for Confidential Treatment under Rule 24b-2 of the Securities Exchange Act of 1934. The complete Agreement, including the portions for which confidential treatment has been requested, has been filed separately with the Securities and Exchange Commission.

2. loss of, or damage to, E.Z. Chip's records or data; or
3. special, incidental, or indirect damages or for any economic consequential damages (including lost opportunities, profits and savings), even if IBM is informed of their possibility.

13.0 TERMINATION

13.1 If either party materially breaches a term of this Base Agreement or an Attachment, the other party may, at its option, terminate this Agreement or any or all Attachments provided the party in breach is given written notice and fails to cure such breach within 30 days or immediately in the event of (i) insolvency, dissolution or liquidation by or against either party, (ii) any assignment of either party's assets for the benefit of creditors, or (iii) any act or omission of an act by a party demonstrating its inability to pay debts generally as they become due or (iv) any transfer of substantially all of either's business or assets to a third party (other than (A) in the context of the first merger or take-over of such party as a whole following signature of this Agreement or (B) a transfer of E.Z. Chip's business or assets to LanOptics Ltd., or to a third party in which the beneficial ownership is substantially the same as in E.Z. Chip at the time of transfer). If IBM has a reasonable basis to believe any of the Items infringe an intellectual property right of any third party, IBM may immediately terminate its obligations hereunder as to Products relating to such Items.

13.2 If IBM terminates this Agreement or an Attachment, IBM shall be entitled to treat any or all applicable outstanding purchase orders as if cancelled by E.Z. Chip and E.Z. Chip shall pay (i) all applicable IBM procurement costs, (ii) (in the case of affected Products, Prototypes and/or Services delivered or ready for shipment) the quoted applicable price, and (iii) (in any other case) the cancellation charges set forth in the applicable Attachment or Attachments. Monies owing IBM shall become immediately due and payable.

13.3 If E.Z. Chip terminates this Agreement or an Attachment, IBM will fill all applicable previously accepted purchase orders for Products, but IBM shall not be obligated to accept further applicable purchase orders after receiving notice.

13.4 This Base Agreement will continue after its termination or expiration with respect to any Attachments already in place until they expire, are terminated or completed. Provided that no monies are due IBM, applicable Items shall be disposed of as directed by E.Z. Chip in writing at E.Z. Chip's expense after a termination or expiration.

14.0 EXPORT REGULATIONS

14.1 Regardless of any disclosure made by E.Z. Chip to IBM of an ultimate destination of Products, Prototypes and technical data, E.Z. Chip will not export either directly or indirectly any Product, Prototype or technical data, or any system incorporating them, without first obtaining all required licenses and permits from all relevant government agencies and departments. In addition, E.Z. Chip warrants that Products and Prototypes are not for space or missile use, do not contain encryption, and do not relate to radiation hardened design, circuitry, manufacturing or testing.

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14.2 Whenever IBM arranges for export or import, with respect to all relevant governmental and administrative authorities, including the United States and European Union, E.Z. Chip: (1) recognizes that IBM may not know or have reason to know the intended function of E.Z. Chip's products and technical data and must rely on E.Z. Chip to provide correct information for export and import of Products, Prototypes and technical data, (2) agrees to provide all information necessary to determine all relevant export authorizations and to export and import the Products, Prototypes and technical data, including as applicable the Export Classification Control Number (ECCN) and subheadings, and (3) agrees to assist with obtaining any required licenses and authorizations for export and import of Products, Prototypes and technical data and with making any required filings. E.Z. Chip shall be fully responsible for the correctness of information provided by E.Z. Chip and any use of it to comply with applicable regulations.

14.3 FAILURE TO COMPLY WITH THE EXPORT REGULATIONS PROVISIONS ABOVE SHALL VOID ALL WARRANTIES PROVIDED BY IBM HEREIN.

15.0 NOTICES

15.1 All communications and notices between the parties concerning this Agreement shall be in writing given to the appropriate individual listed in the applicable Attachment, or his/her successor, and shall be deemed sufficiently made on the date personally served or sent in a manner that generates a reliable written receipt (e.g. via mail, facsimile or electronic data interchange). Communication by facsimile or electronic data interchange is acceptable as a "writing." The autographs of representatives of the parties, as received by facsimile or electronic data interchange, shall constitute "original" signatures.

16.0 INDEPENDENCE OF ACTION

16.1 Each party agrees that this Agreement will not restrict the right of either party to enter into agreements with other parties for same or similar work, or to make, have made, use, sell, buy, develop, market or otherwise transfer any products or services, now or in the future, so long as confidential information is not disclosed. IBM shall not sell, market or otherwise transfer to any third party any Products using the trademark or trade name of E.Z. Chip without prior written consent.

17.0 GENERAL

17.1 With the exception of the foregoing and the terms and conditions of this Agreement, no information exchanged between the parties shall be considered confidential. In the event E.Z. Chip or IBM needs to disclose specific confidential information to the other in order for IBM to furnish Products, Prototypes and/or Services hereunder, such information shall be disclosed only pursuant to the terms of the Confidential Disclosure Agreement (the "CDA") no. C00754-X03038 entered into by the parties on 18 May 2000, which shall govern the use by each party of the Information (as defined in the CDA) of the other. E.Z. Chip shall not disclose the terms or conditions of this Agreement without IBM's prior written approval, except to the extent required by securities or other laws.

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17.2 Each party shall comply, at its own expense, with all applicable United States (local, state and federal), European Union, and other country or country group laws and regulations, and shall procure all licenses and pay all fees and other charges required thereby.

17.3 Except for E.Z. Chip's obligation to pay, neither party will be responsible for failing to perform under this Agreement for acts of God, natural disasters, or other similar causes beyond its reasonable control.

17.4 The validity, construction, and performance of this Agreement will be governed by the substantive laws of the State of New York, United States, as though this Agreement were executed in and fully performed within the State of New York and without regard to any conflict of laws provisions. The United Nations Convention on Contracts for the International Sale of Goods shall not apply to this Agreement. Neither party will bring a legal action against the other more than two (2) years after the cause of action arose, except for actions for non-payment or to enforce intellectual property rights. Both parties waive the right to a jury trial in any dispute arising out of this Agreement. Both parties agree that any action concerning this Agreement shall be brought in a court of competent jurisdiction in the State of New York and hereby consent to the personal jurisdiction of any such court and to service of process in the manner provided for the giving of notices pursuant to this Agreement. If, notwithstanding the foregoing, a New York court's judgment is not enforceable against a party, the other party may bring such an action in any court of competent jurisdiction.

17.5 E.Z. Chip may not assign its rights or delegate its obligations under this Agreement without the prior written consent of IBM, which IBM agrees not to withhold or condition in the event of all (or substantially all) of E.Z. Chip's business as a whole being acquired for the first time by a third party following signature of this Agreement.

17.6 No delay or failure by either party to act in the event of a breach or default hereunder shall be construed as a waiver of that or any subsequent breach or default of any provision of this Agreement.

17.7 If any part, term or provision of this Agreement is declared unlawful or unenforceable by a court of competent jurisdiction, the remainder of this Agreement shall remain in full force and effect.

17.8 The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

17.9 Once signed by both parties, any reproduction of this Agreement made by reliable means (e.g. photocopy or facsimile) is considered an original.

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17.10 Any terms of this Agreement which by their nature extend beyond expiration or termination of this Agreement shall remain in effect until fulfilled and shall bind the parties and their legal representatives, successors, heirs and assigns.

17.11 This Agreement is in English language only, which shall be controlling in all respects, and all versions hereof in any other language shall be for accommodation only and shall not be binding upon the parties hereto. All communications and notices to be made or given pursuant to this Agreement shall be in English language.

17.12 This Agreement is not intended to and does not benefit any party except IBM (including the Plant) and E.Z. Chip. It is the parties' express intent that this Agreement is not a third party beneficiary contract.

SIGNATURE VERSION

**First Amended and Restated ASIC Attachment No. 2
To Custom Sales Agreement No. 000590**

This Attachment is incorporated by reference into Custom Sales Agreement No. 000590 as First Amended and Restated ASIC Attachment No. 2. The term of this Attachment commences on the date identified below by the second party to sign this Attachment; however, if Customer fails to identify a date of signing, the term commences on the date of signing identified by IBM (the "Effective Date"). This First Amended and Restated Attachment No. 2 replaces ASIC Attachment No. 2 (effective July 21, 2006) in its entirety as of the Effective Date. Attachments are governed by the terms and conditions of the Base Agreement.

Definitions

"ASIC(s)" shall mean application specific integrated circuits.

"At Shipment of Prototypes" ("ASP") shall mean the date of shipment of Prototypes to Customer.

"IBM Deliverables" shall mean the information, materials and tools supplied to Customer by IBM, as set forth in Part B of this Attachment, including, without limitation, IBM Design Kits, ASIC tool kits, and Prototype devices.

"IBM Design Kits" shall mean any IBM computer aided design software and data (including libraries) provided to Customer and supported by IBM for the purpose of designing or testing ASIC designs, as updated and enhanced from time to time.

"Initial ASIC Design Review Checklist" ("IDR") shall mean a report in form and content as regularly used by IBM to make a preliminary assessment of the feasibility of Customer's proposed Product design.

"Milestones" shall mean completion of the criteria specified in the (i) initial design review ("IDR Milestone"), (ii) pre-layout and timing analysis ("RTL Milestone"), and (iii) the release to manufacturing ("RTM Milestone") stages of work and the NRE payment milestones ("Payment Milestones") set forth in this Attachment.

"NRE" shall mean non-recurring engineering Services.

"Prototype Acceptance" shall mean Customer's written approval of the Prototypes.

"Release to Layout Checklist" ("RTL") shall mean a performance approval report in form and content as regularly used by IBM to document completion of the pre-layout Level Sensitive Scan Design ("LSSD") and timing analysis.

"Release to Manufacturing Checklist" ("RTM") shall mean a performance approval report in form and content as regularly used by IBM to document the design review milestone at the completion of the post-layout timing analysis.

"Risk Product" shall mean Product ordered by Customer prior to Prototype Acceptance. All terms and conditions for Risk Product are the same as for Product, except for terms and conditions regarding cancellation and warranty.

Unique Terms and Conditions

The following terms and conditions are applicable to this Attachment only. Referring to the Base Agreement:

- (a) Delete the following terms and conditions:
-
-

Section 4.1.

- (b) Modify the following terms and conditions:

Delete Section 8.1 in its entirety and replace it with the following:

8.1 IBM Warranty for Product and Risk Product

8.1.1 Product:

IBM warrants all Products will, be free from defects in material and workmanship. If Customer claims that any Product does not conform to this warranty, Customer must notify IBM of such nonconformities within [*] months from the date IBM shipped the Products. IBM does not warrant: (a) uninterrupted or error free operation of the Products; or (b) that IBM will correct all defects.

8.1.2 Risk Product:

Risk Product shall be considered Prototypes and shall be provided "AS IS" without warranty of any kind. Upon IBM's receipt of Customer's written Prototype Acceptance of the Prototype design revision upon which the Risk Product was manufactured, such Risk Product shall be deemed to be Product and will be warranted as set forth in Section 8.1.1 above.

1.0 Term

The term of this Attachment expires on December 31, 2014.

2.0 Scope of Work

2.1 IBM will perform ASIC physical design layout services and manufacture the ASIC Product(s) identified in Part A of this Attachment.

2.2 Customer will provide IBM with the Customer's Items and cooperate with IBM to enable IBM to manufacture Product and to perform Services in accordance with this Agreement.

3.0 ASIC Design and Development Methodology

3.1 IBM's ASIC development checklists shall document the development of each of Customer's Product design(s).

3.1.1 The IDR will be used to make a preliminary feasibility assessment of Customer's proposed Product design(s) and to advise Customer of ASIC design issues to ensure that Customer's design(s) will conform to IBM design requirements.

3.1.2 The RTL shall include, expressly or by specific incorporation, the design information for each Product required by Customer to successfully enable IBM to place, route, perform static timing analysis and analyze LSSD testability for Customer's Product design data. Customer's signature on the RTL shall record Customer's acknowledgment of satisfactory completion of all work on such Product through such Milestone.

* This portion of the Attachment has been omitted pursuant to a Request for Confidential Treatment under Rule 24b-2 of the Securities Exchange Act of 1934. The complete Attachment, including the portions for which confidential treatment has been requested, has been filed separately with the Securities and Exchange Commission.

- 3.1.3 Customer's signature on the RTM shall record Customer's acknowledgment of satisfactory completion of all work on such Product through the RTM Milestone. To the extent that the RTM varies from the RTL, the RTM shall govern.
- 3.1.4 Customer's signature on the RTL and RTM checklists shall not be unreasonably withheld.
- 3.2 Any data relating to a Product design that Customer is to furnish to IBM must be compatible with IBM design tools, with which IBM will verify all design and engineering work.
- 3.3 Any cores provided by IBM that are included in the Product design and any IBM design kits will be licensed to Customer pursuant to IBM's software license agreements. Cores and IBM Design Kits will only be released to Customer upon Customer's acceptance of such terms and conditions.

4.0 Change Control

- 4.1 Any changes to the Services or Product design requested by Customer (e.g., netlist slips, additional netlists above standard IBM ASIC Design Methodology, need for more than one IDR, and/or Engineering Change Orders ("ECOs")) may impact IBM's schedules and may also result in additional NRE charges and/or an increase in price for Products, Risk Products, and Prototypes. ECOs are defined as Customer initiated functional changes that add, delete, reconnect, or change logic in the existing design. The extent (size of change) and timing of the ECO determines how it is handled by IBM. These changes to the Services or Product will be managed between Customer and IBM using IBM's ECO/Netlist Change Form. Should IBM submit an ECO/Netlist Change Form to Customer setting forth the probable effect of such requested change on schedule, Customer will be requested to analyze the ECO and sign the ECO/Netlist Change Form where indicated to acknowledge its agreement with the changes. IBM reserves the right to stop work until agreement is reached by the parties with respect to such change. IBM will require a purchase order from Customer for all additional NRE Services resulting from the change before IBM will start work. IBM shall not proceed with any change until authorized in writing by Customer. The parties shall promptly amend this Attachment to incorporate any agreed changes.
- 4.2 IBM may implement engineering changes to Products. IBM shall give prior notice of engineering changes affecting the form, fit or function of a Product to Customer, provided that Customer has and maintains access to the tool used by IBM to notify customers of engineering changes electronically and provided that Customer has purchased such Product within the two-year period preceding the engineering change.

5.0 End of Life

In the event IBM decides to discontinue manufacturing a Product under this Attachment, IBM will provide Customer with at least twelve (12) months prior written notice of the date that Customer's non-cancellable last time purchase orders for such Products must be submitted to IBM ("Last Date for Purchase Orders"), provided that Customer has purchased such Product within the two-year period preceding the date upon which notice is to be given. Customer must be willing to take delivery of all such Product within six (6) months of the Last Date for Purchase Orders. All such orders will be completed and filled by IBM in the ordinary course of business and in accordance with the terms of this Agreement. For the period starting in Year 2012 through 2014, IBM may only provide a discontinuance notice for the Product in the event that Customer has failed to purchase at least \$[*] of this Product in Year 2011, and [*]\$/year for Years 2012 and 2013.

6.0 Forecasting

* This portion of the Attachment has been omitted pursuant to a Request for Confidential Treatment under Rule 24b-2 of the Securities Exchange Act of 1934. The complete Attachment, including the portions for which confidential treatment has been requested, has been filed separately with the Securities and Exchange Commission.

As soon as reasonably practicable after execution of this Attachment, and every month thereafter, Customer shall provide IBM's customer account representative with a Product demand forecast, which shall cover a minimum of twelve (12) rolling months, broken out by Product and month. IBM will review and respond to proposed forecasts as soon as reasonably practicable. Forecasts shall constitute good faith estimates of Customer's anticipated requirements for Products but shall not obligate IBM to supply Product, nor obligate Customer to purchase Product.

7.0 Orders

7.1 Customer will request delivery of Products by issuing written purchase orders to IBM. Purchase orders for Product shall only specify:

- a) Customer's purchase order number;
- b) Customer's tax status - exempt or non-exempt;
- c) ship to location - complete address;
- d) bill to location - complete address;
- e) order from location - complete address;
- f) shipping instructions, including preferred carrier and carrier account number;
- g) the agreement number of this Agreement;
- h) name of Customer contact;
- i) Product part numbers and quantities being ordered (in increments of the Minimum Order Quantity ("MOQ"));
- j) the Product's applicable unit price; and
- k) requested shipment dates.

7.2 Customer will request NRE (which includes Prototypes) by issuing written purchase orders to IBM. Purchase orders for NRE shall only specify:

- a) items a through h above;
- b) Prototype part numbers and the Milestone(s) to which the purchase order applies; and
- c) the applicable price for the NRE.

8.0 Rescheduling Rights

Customer may reschedule a Shipment Date up to [*] times provided: (i) Customer sends IBM written notice of the request to reschedule; (ii) the notice is received by IBM more than [*] days prior to the Shipment Date; and (iii) the rescheduled Shipment Date is within [*] after the original Shipment Date. If the foregoing requirements are met, no cancellation charge will be imposed by IBM in connection with the rescheduling. Unless otherwise agreed by the parties, once a Shipment Date has been rescheduled three (3) times, the new Shipment Date is firm and cannot be rescheduled by Customer.

9.0 NRE Pricing

* This portion of the Attachment has been omitted pursuant to a Request for Confidential Treatment under Rule 24b-2 of the Securities Exchange Act of 1934. The complete Attachment, including the portions for which confidential treatment has been requested, has been filed separately with the Securities and Exchange Commission.

[*]

9.4.4.1 Front End Processing Design Service NRE

The IBM design center will perform the test insertion and test verification work. The Customer will provide IBM a gate level netlist. IBM will create the chip test plan and take the gate level netlist through the test insertion process. IBM will then verify the netlist meets the IBM test requirements. IBM will run formal verification to ensure Customer functionality has not changed during front end processing.

9.5 Compensation for Other Services

Customer may request other Services which are not specified under this Attachment. IBM may provide a quote to Customer for any such additional services. Customer may then submit a purchase order for any such Services. When accepted by IBM, such purchase order will be subject to the terms of this Agreement.

10.0 Prototype, Risk Product, and Product Prices:

10.1 Prototype pricing:

Subject to availability, as determined by IBM, Customer may order additional Prototypes from the first Prototype lot (in excess of the Prototypes included in the Standard NRE charge), provided that IBM receives Customer's purchase order for such additional Prototypes at least thirty (30) days prior to the scheduled RTM signoff.

Each Prototype in excess of the number of Prototypes included in the Standard NRE charge shall cost \$[*].

10.2 Risk Product pricing:

For Risk Product processed on an expedited rapid turn-around time basis (RTAT), Customer must pay the slot price identified below plus the Product unit prices set forth below in Section 10.3. For Risk Product processed in a normal turnaround time, no slot charge will apply.

Product	RTAT Slot Price
NP-3c	\$ [*]

10.3 Product unit pricing:

NP3-c 15.56 x 15.56

Cumulative Volume Step Pricing	Unit Price
1 - 50'000	\$[*]
50'001 - 150'000	\$[*]
150'001 - 300'000	\$[*]
>300'000	\$[*]

For clarification the prices are not linked to fiscal years.

* This portion of the Attachment has been omitted pursuant to a Request for Confidential Treatment under Rule 24b-2 of the Securities Exchange Act of 1934. The complete Attachment, including the portions for which confidential treatment has been requested, has been filed separately with the Securities and Exchange Commission.

If Customer requests faster than committed TAT's, IBM will evaluate availability. If available, expedite charges would apply.

11.0 Minimum Order Quantities/ Minimum Ship Pack Quantities:

Purchase orders must be placed in increments of IBM's designated Minimum Order Quantities ("MOQs") and shipments must be scheduled in increments of IBM's designated Minimum Ship Pack Quantities ("SPQs").

MOQ = [*] units; SPQ - [*] units

12.0 Cancellation Charges

12.1 NRE Cancellation Charge:

If Customer cancels a purchase order for NRE or otherwise cancels NRE, then IBM may cease work in connection with this program. Additionally, Customer shall pay IBM (a) the total of all non-discounted NRE charges due and owing at the time of cancellation and (b) all unpaid non-discounted NRE charges through the next NRE payment milestone (according to the schedule set forth above in Section 4.2), unless such unpaid NRE charge is waived or reduced in accordance with the table set forth below. If Customer requests that IBM delay the performance of any Services for which IBM has received a purchase order, and such periods of delay, individually or in the aggregate, extend beyond [*] days, then Customer shall be deemed to have canceled all work under this purchase order and the applicable cancellation charges below will be invoiced.

Cancellation Notice Received by IBM	Percentage of Next Payment Milestone to be Paid
Within 30 days after IDR	[*] %
31-60 days after IDR	[*] %
61 days or more after IDR but before RTL	[*] %
Within 15 days after RTL	[*] %
15-30 days after RTL but before RTM	[*] %
31 days or more after RTL but before RTM	[*] %

12.2 Product Cancellation Charge:

In accordance with Section 5 of the Base Agreement, the following charges will apply for any cancelled Customer order for Product or any portion thereof. The "Cancellation Charge" referred to below is the percentage to be applied to the applicable prices stated above in Section 10.3 of this Attachment.

Cancellation Notice Received by IBM	Cancellation Charge
Anytime after wafer start	[*] %
Prior to wafer start	[*] %

12.3 Risk Product Cancellation Charge:

The following charges will apply for any cancelled Customer order for Risk Product or any portion thereof. The "Cancellation Charge" referred to below is the percentage to be applied to the applicable prices stated above in Sections 10.2 and 10.3 of this Attachment.

* This portion of the Attachment has been omitted pursuant to a Request for Confidential Treatment under Rule 24b-2 of the Securities Exchange Act of 1934. The complete Attachment, including the portions for which confidential treatment has been requested, has been filed separately with the Securities and Exchange Commission.

Cancellation Notice Received by IBM	Cancellation Charge
Anytime after wafer start	[*] %
Prior to wafer start	[*] %

13.0 Coordinators/Notices

Pursuant to Section 15 of the Base Agreement, any notices hereunder shall be given to the Contract Coordinators stated below.

Technical Coordinators:

Customer: [*]	IBM: [*]
Phone: +972 4 959 [*]	Phone: +972 3 918 [*]
Fax: +972 4 959 [*]	Fax: +972 3 918 [*]
Email: [*]@ezchip.com	Email: [*]@il.ibm.com

Contract Coordinators:

Customer: [*]	IBM: Contracts & Negotiations
Address: 1 Hatamar Street, PO Box 527 Yoknea 20692, ISRAEL	IBM Microelectronics Ch. de Blandonnet 8 1211 Geneva 2 SWITZERLAND
Phone: +972 4 959 [*]	Fax: +41 58 333 [*]
Fax: +972 4 959 [*]	
Email: [*]@ezchip.com	

This Attachment and the Base Agreement are the complete agreement regarding the transactions covered by this Attachment and replace any prior oral or written communications between Customer and IBM with respect to such transactions. In entering into this Attachment, neither party is relying on any representation that is not specified in the Agreement including without limitation any representations concerning: (a) estimated completion dates, hours, or charges to provide any IBM Deliverable, Product, Prototype or Service; (b) performance or function of any IBM Deliverable, Product, Prototype or system, other than as expressly warranted in the Agreement; (c) the experiences or recommendations of other parties; or (d) results or savings Customer may achieve. Additional or different terms in any written communication from Customer, except for those written communications that the parties have expressly agreed in the Agreement to have an effect between the parties (such as the quantities and part numbers specified in a purchase order), are void.

* This portion of the Attachment has been omitted pursuant to a Request for Confidential Treatment under Rule 24b-2 of the Securities Exchange Act of 1934. The complete Attachment, including the portions for which confidential treatment has been requested, has been filed separately with the Securities and Exchange Commission.

SIGNATURE VERSION

Accepted and Agreed To:

EZchip Technologies Ltd.

By: /s/Eli Fruchter

Name: Eli Fruchter

Please print or type name

Title: CEO

Date: Jan 29, 2008

International Business Machines Corporation

By: /s/Gary D. Russell

Name: Gary D. Russell

Title: Exec. Mgr., Contracts & Negotiations, IBM
Microelectronics

Date: January 29, 2008

Part A

1.0 Product Name and Description

[*]

2.0 Design Schedule

[*]

* This portion of the Attachment has been omitted pursuant to a Request for Confidential Treatment under Rule 24b-2 of the Securities Exchange Act of 1934. The complete Attachment, including the portions for which confidential treatment has been requested, has been filed separately with the Securities and Exchange Commission.

Part B
Items /Deliverables

<u>Customer Items and IBM Deliverables</u>	
<u>Customer Items</u>	<u>IBM Deliverables</u>
Technical detail to complete Customer design, i.e.	IBM Model/Tool Design Kits
- Library/tool requirements	Testability requirements
- Netlist processing requirements	Module physical outline drawing
- Test requirements	Completed Customer design specification approved by Customer/IBM
- Simultaneous switch requirements	Estimated schedule based on netlist delivery checkpoints
- Clocking requirements	EDIF/Verilog netlist, SDF, and timing reports
- Power estimation	Placed VIM netlist w/estimated parasitics
- Operating/environmental conditions	Placed/Routed VIM netlist w/extracted parasitics
- Die/package requirements	Final test coverage for design
- Package I/O requirements	Package/image pinout definition
- Memory macros	Generic package models
- Cores and PLL's	SSO and noise guidelines/requirements
- Custom circuits, macros, I/O's	Datasheets for cores
- Product life	IBM ASIC Application Notes
- Logic gate count	ASIC Databooks
- Physical design constraints	Reliability and thermal support position based on Customer environmentals, Product life, and cycling requirements
Chip I/O assignment	Prototypes
Chip timing assertion files	
Floorplanning files	
Special logic functions placement directives	
Prototype and production forecasts	
Floorplanning definition	
Delivery of netlists (analysis, if required, Floorplan, Preliminary and Final) and other design deliverables documented in the IBM ASIC Release Documents (Release to Floorplanning (RTF), Release to Preliminary (RTP), Release to layout (RTL), Release to Manufacturing (RTM))	
Sign-off of RTL/RTM release documents	
Prototype Acceptance	

SIGNATURE VERSION

AMENDMENT 4 TO CUSTOM SALES AGREEMENT NO. 000590

This Amendment to Custom Sales Agreement No. 000590 ("Amendment 4") is made and entered into between EZchip Technologies Ltd. ("Customer") and International Business Machines Corporation ("IBM"). This Amendment 4 will be effective on the date identified below by the second party to sign this Amendment; however, if Customer fails to identify a date of signing, this Amendment will be effective on the date of signing identified by IBM.

WHEREAS IBM and Customer are parties to Custom Sales Agreement No. 000590 having an effective date of 30 October 2000 (the "Agreement");

WHEREAS IBM and Customer desire to amend the Agreement as set forth herein;

NOW THEREFORE the parties hereby agree as follows:

1. Extension of the term of the Agreement. The expiration of the term of the Agreement including Attachments 1 and 2 is extended from 31 December 2009 to 31 December 2014.
2. No Other Amendment or Modification. Except as expressly set forth in this Amendment 4, the Agreement, as amended pursuant to Amendments 1 through 3, remains in full force and effect without further modification. The terms and conditions of the Agreement and such Amendments will not be further modified or amended except by a writing signed by authorized representatives of both parties, it being understood that this requirement of written form may only be waived in writing by both parties.

Accepted and Agreed To:

EZchip Technologies Ltd.

International Business Machines Corporation

By: /s/Eli Fruchter
Name: Eli Fruchter
Title: CEO
Date: Jan 29, 2008

By: /s/ Gary D. Russell
Name: Gary D. Russell
Title: Executive Manager, Contracts &
Negotiations, IBM Microelectronics
Date: January 29, 2008

LIST OF SIGNIFICANT SUBSIDIARIES

EZchip Technologies Ltd. (Israel)

EZchip Inc. (Delaware)

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended

I, Eli Fruchter, certify that:

1. I have reviewed this Annual Report on Form 20-F of EZchip Semiconductor Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent function):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 31, 2011

By: /s/ Eli Fruchter*
Eli Fruchter
Principal Executive Officer

* The originally executed copy of this Certification will be maintained at the Company's offices and will be made available for inspection upon request.

CERTIFICATION OF CHIEF FINANCIAL OFFICER
Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended

I, Dror Israel, certify that:

1. I have reviewed this Annual Report on Form 20-F of EZchip Semiconductor Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent function):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 31, 2011

By: /s/ Dror Israel*
Dror Israel
Chief Financial Officer

* The originally executed copy of this Certification will be maintained at the Company's offices and will be made available for inspection upon request.

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the filing of the Annual Report of EZchip Semiconductor Ltd. (the "Company") on Form 20-F for the period ended December 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Eli Fruchter, Principal Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: March 31, 2011

By: /s/ Eli Fruchter *
Eli Fruchter
Principal Executive Officer

* The originally executed copy of this Certification will be maintained at the Company's offices and will be made available for inspection upon request.

This certification accompanies this Annual Report on Form 20-F pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the filing of the Annual Report of EZchip Semiconductor Ltd. (the "Company") on Form 20-F for the period ended December 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dror Israel, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: March 31, 2011

By: /s/ Dror Israel*
Dror Israel
Chief Financial Officer

* The originally executed copy of this Certification will be maintained at the Company's offices and will be made available for inspection upon request.

This certification accompanies this Annual Report on Form 20-F pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-134593, 333-148932, 333-148933, 333-164330, 333-164331, 333-170900 and 333-170901) and Form F-3 (Nos. 333-163353 and 333-164332) of our reports dated March 31, 2011, with respect to the consolidated financial statements of EZchip Semiconductor Ltd. for the year ended December 31, 2010 and the effectiveness of internal control over financial reporting of EZchip Semiconductor Ltd. included in this Annual Report on Form 20-F for the year ended December 31, 2010.

Haifa, Israel

/s/ Kost, Forer, Gabbay & Kasierer
KOST, FORER, GABBAY AND KASIERER

March 31, 2011

A member of Ernst & Young Global
