

SECURITIES AND EXCHANGE COMMISSION

FORM S-8

Initial registration statement for securities to be offered to employees pursuant to employee benefit plans

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FILER

VOCALTEC COMMUNICATIONS LTD

CIK: **1005699** | IRS No.: **000000000** | State of Incorporation: **L3** | Fiscal Year End: **1231**
Type: **S-8** | Act: **33** | File No.: **333-171771** | Film No.: **11536349**
SIC: **4813** Telephone communications (no radiotelephone)

Mailing Address
2 MASKIT ST
HERZLIYA ISRAEL 46733
HERZLIYA L3

Business Address
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HERZLIYA 46733 L3
01197299707845

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

FORM S-8

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

VOCALTEC COMMUNICATIONS LTD.

(Exact name of registrant as specified in its charter)

Israel
(State or other jurisdiction of
incorporation or organization)

Not Applicable
(I.R.S. Employer
Identification Number)

12 Benny Gaon Street, Building 2B
Poleg Industrial Area, Netanya, Israel
(Address of Principal Executive Office)

42504
(Zip Code)

VocalTec Communications Ltd. Amended 2003 Master Stock Option Plan
(Full title of the plan)

YMax Corporation, 5700 Georgia Avenue, West Palm Beach, Florida 33405
(Name and address of agent for service)

(561) 771-2255
(Telephone number, including area code, of agent for service)

Copies to:

Perry Wildes, Adv.
Gross, Kleinhendler, Hodak, Halevy, Greenberg & Co.
One Azrieli Center
Tel Aviv 67021, Israel

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

Large accelerated filer

Accelerated filer

Non-accelerated filer
(Do not check if a smaller reporting company)

Smaller reporting company

CALCULATION OF REGISTRATION FEE

Title of Securities to be Registered	Amount to be Registered⁽¹⁾	Proposed Maximum Offering Price Per Security⁽²⁾	Proposed Maximum Aggregate Offering Price⁽²⁾	Amount of Registration Fee
Ordinary Shares, no par value	397,079	\$ 9.206	\$ 3,655,544	\$ 424.41

(1) This Registration Statement registers shares issuable upon exercise of outstanding options with fixed exercise prices under the VocalTec Communications Ltd. Amended 2003 Master Stock Option Plan (the "Plan"). Pursuant to Rule 416(a) under the Securities Act of 1933, as amended, this Registration Statement shall also cover any additional shares that become issuable under the Plan by reason of any stock dividend, stock split, recapitalization or any other similar transaction effected without the receipt of consideration which results in an increase in the number of outstanding shares.

(2) Estimated solely for purposes of calculating the filing fee pursuant to Rule 457(h), the aggregate offering price and the fee have been computed upon the basis of the prices at which the options may be exercised.

EXPLANATORY NOTE

This Registration Statement registers securities that remained unsold under the (1) Form S-8 (Registration No. 333-106400), filed by VocalTec Communications Ltd. (the "Registrant") on June 24, 2003, and (2) Form S-8 (Registration No. 333-131870), filed by the Registrant on February 15, 2006, which were deregistered by post-effective amendments filed on July 16, 2010.

PART I

INFORMATION REQUIRED IN THE SECTION 10(a) PROSPECTUS

Item 1. Plan Information.*

Item 2. Registrant Information and Employee Plan Annual Information.*

* Information required in Part I to be contained in the Section 10(a) prospectus is omitted from this Registration Statement in accordance with Rules 424 and 428 under the Securities Act and the Introductory Note to Part I of Form S-8.

PART II

INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

Item 3. Incorporation of Documents by Reference.

The following documents, filed by the Registrant with the Securities and Exchange Commission (the "Commission"), are hereby incorporated by reference:

- (a) the Registrant's Annual Report on Form 20-F for the fiscal year ended December 31, 2009 filed with the Commission on May 12, 2010 (the "Annual Report");
- (b) The Registrant's Reports on Form 6-K furnished by the Registrant to the Commission (the "Exchange Act") on May 11, 2010, July 16, 2010, July 19, 2010, July 26, 2010 (except any information related to second quarter guidance), November 4, 2010, November 18, 2010, November 22, 2010 (except any information related to full year guidance), December 21, 2010 and December 30, 2010; and
- (c) The description of the Registrant's ordinary shares contained in Form 8-A (SEC File No. 000-27648), filed with the SEC on January 29, 1996, and any amendment or report filed for the purpose of updating such description.

All documents subsequently filed by the Registrant pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act, prior to the filing of a post-effective amendment which indicates that all securities then offered have been sold or which deregisters all securities then remaining unsold, shall be deemed to be incorporated by reference in this Registration Statement and to be a part hereof from the date of filing of such documents. Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Registration Statement to the extent that such statement is modified or superseded by a subsequently filed document which also is or is deemed to be incorporated by reference herein. Any such statement so modified or superseded shall not be deemed to constitute a part of this Registration Statement except as so modified or superseded.

Item 6. Indemnification of Directors and Officers.

Consistent with the provisions of the Israeli Companies Law, 1999, or the Companies Law, VocalTec's Articles of Association include provisions permitting it to procure insurance coverage for its office holders, exempt them from certain liabilities and indemnify them, to the maximum extent permitted by law. Under the Companies Law, indemnification of, and procurement of insurance coverage for VocalTec's office holders must be approved by its audit committee and its board of directors and, with respect to directors, by its shareholders.

Exemption

Under the Companies Law, an Israeli company may not exempt an office holder from liability with respect to a breach of his duty of loyalty, but may exempt in advance an office holder from his liability to the company, in whole or in part, with respect to a breach of his duty of care (other than with respect to a breach of duty of care with respect to the distribution of a dividend or redemption of the company's securities). Under the Companies Law, a company may not indemnify an office holder, nor enter into an insurance contract that would provide coverage for any monetary liability incurred as a result of any of the following:

- a breach by the office holder of his duty of loyalty, unless the office holder acted in good faith and had a reasonable basis to believe that the act would not prejudice the company;
- a breach by the office holder of his duty of care, if such breach was done intentionally or in disregard of the circumstances of the breach or its consequences, other than a breach committed solely by negligence;
- any act or omission done with the intent to derive an illegal persona benefit; or
- any fine levied against the office holder as a result of a criminal offense.

Office Holder Insurance

VocalTec's Articles of Association provide that, subject to the provisions of the Companies Law, it may enter into a contract for the insurance of the liability of any of its office holders with respect to:

- a breach of his duty of care to VocalTec or to another person;
- a breach of his duty of loyalty to VocalTec, provided that the office holder acted in good faith and had reasonable cause to assume that his act would not prejudice VocalTec's interests;
- a financial liability imposed upon him in favor of another person concerning an act performed by him in his capacity as an office holder.

Indemnification of Office Holders

VocalTec's Articles of Association provide that it may indemnify an office holder against:

- a financial liability imposed on him in favor of another person by any judgment, including a settlement or an arbitrator's award approved by a court concerning an act performed in his capacity as an office holder;
- reasonable litigation expenses, including attorneys' fees, expended by the office holder or charged to him by a court, in proceedings VocalTec institutes against him or instituted on its behalf or by another person, or in a criminal charge from which he was acquitted, or in which he was convicted of an offence that does not require proof of criminal intent; or
- reasonable litigation expenses, including attorneys' fees, expended by the office holder as a result of an investigation or proceeding instituted against him by an authority authorized to conduct such investigation or proceeding, provided that (i) no indictment (as defined in the Companies Law) was filed against such office holder as a result of such investigation or proceeding, and (ii) no financial liability as a substitute for the criminal proceeding (as defined in the Companies Law) was imposed upon him as a result of such investigation or proceeding or if such financial liability was imposed, it was imposed with respect to an offence that does not require proof of criminal intent.

Under the Companies Law, VocalTec's Articles of Association may also include a provision authorizing it to grant in advance an undertaking to indemnify an office holder, provided that the undertaking is limited to such events which the board of directors shall deem to be likely to occur in light of VocalTec's operations at the time that the undertaking to indemnify is made and for such amounts or criteria which the board of directors may, at the time of the giving of such undertaking to indemnify, deem to be reasonable under the circumstances. Such undertaking shall set forth such events which the board of directors shall deem to be likely to occur in light of the operations of the company at the time that the undertaking to indemnify is made, and the amounts and/or criteria which the board of directors may, at the time of the giving of such undertaking to indemnify, deem to be reasonable under the circumstances; and a provision authorizing VocalTec to retroactively indemnify an office holder.

As permitted under Israeli law and the Company's Articles of Association, the Company has agreements whereby it indemnifies its officers and directors for certain acts or omissions that may have been made or will be made in the future by the officers and directors by virtue of their service as a director or officer of the Company and/or of any Company subsidiary and/or of a third party at the request of the Company. The maximum aggregate indemnification amount that the Company may pay to all of its directors and officers, in the aggregate, pursuant to all letters of indemnification issued by the Company and its subsidiaries is the greater of (i) \$20 million and (ii) an amount equal to 75% of the Company's assets minus its liabilities according to the most recent audited consolidated financial statements of the Company prior to the payment of the applicable indemnification amount.

Item 8. Exhibits.

Exhibit No. Description

- 4.1 Amended and Restated Articles of Association.**
- 4.2 Form of share certificate of VocalTec Communications Ltd.**
- 4.3 Registration Rights Agreement, dated as of July 16, 2010, between VocalTec Communications Ltd. and Daniel Borislow.*
- 4.4 Amendment No. 1 to the Registration Rights Agreement, dated as of July 16, 2010, between VocalTec Communications Ltd. and Daniel Borislow, dated September 15, 2010.**
- 5.1 Opinion of Gross, Kleinhendler, Hodak, Halevy, Greenberg & Co., counsel to the registrant, as to the legality of the securities being offered under this Registration Statement.***
- 23.1 Consent of Kost Forer Gabbay & Kasierer, Member of Ernst & Young Global.***
- 23.2 Consent of BDO USA, LLP.***
- 23.3 Consent of Gross, Kleinhendler, Hodak, Halevy, Greenberg & Co. (included in Exhibit 5.1).
- 24.1 Power of Attorney (see Page 7 of this Registration Statement).
- 99.1 VocalTec Communications Ltd. Amended 2003 Master Stock Option Plan***
- 99.2 Appendix to VocalTec Communications Ltd. Amended 2003 Master Stock Option Plan - U.S.A. employees.***
- 99.3 Appendix to VocalTec Communications Ltd. Amended 2003 Master Stock Option Plan - Non-Israeli and Non-U.S. employees and consultants.***
- * Incorporated by reference to the Registrant's report on Form 6-K filed with the Securities and Exchange Commission on July 19, 2010.
- ** Incorporated by reference to Pre-effective Amendment No. 1 to Registration Statement on Form F-3 (Registration No. 333-169659) filed with the Securities and Exchange Commission on January 12, 2011.
- *** Filed herewith.

Item 9. Undertakings.

(a) The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933, as amended (the "Securities Act");

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high and of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in this registration statement or any material change to such information in this registration statement;

provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the Commission by the Registrant pursuant to Section 13 or Section 15(d) of the Exchange Act that are incorporated by reference in the registration statement.

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

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Exchange Act, (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Exchange Act) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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

By: /s/ Peter Russo
Authorized Signatory

INDEX TO EXHIBITS

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- ** Incorporated by reference to Pre-effective Amendment No. 1 to Registration Statement on Form F-3 (Registration No. 333-169659) filed with the Securities and Exchange Commission on January 12, 2011.
- *** Filed herewith.



January 19, 2011

VOCALTEC COMMUNICATIONS LTD.

12 Benny Gaon Street, Building 2B
Poleg Industrial Area
Netanya, Israel 42504

Gentlemen:

We have acted as counsel to VocalTec Communications Ltd., a company organized under the laws of the State of Israel (the "Company"), in connection with its filing of a registration statement on Form S-8 (the "Registration Statement") under the Securities Act of 1933, as amended, relating to the registration of 397,079 of the Company's ordinary shares, no par value, issuable upon exercise of options (the "Options") that have been granted by the Company under its Amended 2003 Master Stock Option Plan (the "Plan").

In our capacity as counsel to the Company, we have examined originals or copies, satisfactory to us, of the Company's (i) Articles of Association, (ii) the Plan and (iii) resolutions of the Company's Audit Committee, Board of Directors and shareholders. In such examination, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals and the conformity with the original documents of all documents submitted to us as copies or facsimiles. As to any facts material to such opinion, to the extent that we did not independently establish relevant facts, we have relied on certificates of public officials and certificates of officers or other representatives of the Company. We are admitted to practice law in the State of Israel and the opinion expressed herein is expressly limited to the laws of the State of Israel.

On the basis of the foregoing, we are of the opinion that the 397,079 ordinary shares being registered pursuant to the Registration Statement, when issued and paid for in accordance with the Plan and the Options, will be validly issued, fully paid and non-assessable.

We hereby consent to the filing of this opinion letter as an exhibit to the Registration Statement. In giving this consent, we do not thereby admit that we are within the category of persons whose consent is required under Section 7 of the Securities Act, the rules and regulations of the Securities and Exchange Commission promulgated thereunder.

This opinion letter is rendered as of the date hereof and we disclaim any obligation to advise you of facts, circumstances, events or developments that may be brought to our attention after the effective date of the Registration Statement that may alter, affect or modify the opinions expressed herein.

Very truly yours,

/s/ Gross, Kleinhendler, Hodak, Halevy, Greenberg & Co.
Gross, Kleinhendler, Hodak, Halevy, Greenberg & Co.

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement on Form S-8 pertaining to the VocalTec Communications Ltd. (the "Company") Amended 2003 Master Stock Option Plan of our report dated March 18, 2010 with respect to the consolidated financial statements of the Company included in its Annual Report on Form 20-F for the year ended December 31, 2009, filed with the Securities and Exchange Commission.

Tel-Aviv, Israel
January 19, 2011

/s/ Kost Forer Gabbay & Kasierer
Kost Forer Gabbay & Kasierer
A Member of Ernst & Young Global

Consent of Independent Registered Public Accounting Firm

YMax Corporation
West Palm Beach, Florida

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 pertaining to the Amended 2003 Master Stock Option Plan of VocalTec Communications Ltd. (the "Company") of our report dated July 9, 2010, except for Notes 20 and 21, which are as of July 19, 2010, relating to the consolidated financial statements of Ymax Corporation and its subsidiaries appearing in the Form 6-K filed by VocalTec Communications Ltd. on July 19, 2010.

/s/ BDO USA, LLP
Certified Public Accountants
West Palm Beach, Florida
January 19, 2011

VocalTec Communications Ltd.
Amended and Restated 2003 Master Stock Option Plan
(Last Restatement: December 17, 2010)

1. PURPOSE; TYPE OF AWARDS; CONSTRUCTION

The purpose of the VocalTec Communications Ltd. Amended and Restated 2003 Master Stock Option Plan (the "Plan") is to afford an incentive to officers, directors, employees and consultants of VocalTec Communications Ltd. (the "Company"), or any subsidiary of the Company which now exists or hereafter is organized or acquired by the Company, to acquire a proprietary interest in the Company, to continue as officers, directors, employees and consultants, to increase their efforts on behalf of the Company and to promote the success of the Company's business. The Awards granted under the Plan may or may not contain such terms as will qualify such Awards for the special tax treatment under Section 102 of the Israeli Income Tax Ordinance (New Version) 1961 (the "Ordinance") including without limitations the revisions enacted which came into effect on January 1, 2003 (the "New Section 102") and any regulations, rules, orders or procedures promulgated thereunder, including but not limited to the Income Tax Rules (Tax Benefits in Stock Issuance to Employees) 1989, provided, that all Awards granted to employees of the Company or its Subsidiaries in Israel from January 1, 2003 and thereafter shall be issued under New Section 102 of the Ordinance.

In the event that Awards shall be granted under this Plan to Grantees in jurisdictions other than Israel, or Awards are granted to Grantees who are not deemed to be residents of Israel for purposes of taxation, specific terms and conditions for such grants may be set forth in a separate annex to this Plan, as may be approved by the Board from time to time.

2. DEFINITIONS

As used in this Plan, the following words and phrases shall have the meanings indicated:

- (a) "102 Awards" shall mean Awards containing such terms as will qualify them for the special tax treatment under New Section 102.
 - (b) "3(I) Awards" shall mean Awards that do not contain such terms as will qualify them for the special tax treatment under New Section 102.
 - (c) "Award" shall mean an Option, a Share, a Restricted Share or any other equity based award granted hereunder.
 - (d) "Award Price" shall mean the price to be paid for each Ordinary Share to be issued upon exercise of an Option or pursuant to any other Award.
 - (e) "Companies Law" shall mean the Israeli Companies Law 5759-1999, as may be amended or replaced from time to time
-

(f) "Company" shall mean VocalTec Communications Ltd.

"Disability" shall mean the inability of a Grantee (as defined in Section 3 hereof) to engage in any substantial gainful activity by reason of
(g) any medically determinable physical or mental impairment that can be expected to result in death or that has lasted or can be expected to last for a continuous period of not less than twelve (12) months, as determined by a medical doctor satisfactory to the Committee.

"Fair Market Value" per Share as of a particular date shall mean (i) the closing sales price per share of Ordinary Shares on the national securities exchange on which the Ordinary Shares are principally traded, for the last preceding date on which there was a sale of such Ordinary Shares on such exchange, or (ii) if the shares of Ordinary Shares are then traded in an over-the-counter market, the average of the closing bid and asked prices for the shares of Ordinary Shares in such over-the-counter market for the last preceding date on which
(h) there was a sale of such Ordinary Shares in such market, or (iii) if the shares of Ordinary Shares are not then listed on a national securities exchange or traded in an over-the-counter market, such value as the Committee (as defined in Section 3 hereof), in its sole discretion, shall determine in good faith. Notwithstanding the foregoing, in the case of all Options granted effective as of the consummation of the public offerings of the Ordinary Shares (the "Offerings"), the Fair Market Value per share of the Ordinary Shares subject to such Options shall be equal to the public offering price per share.

(i) "Option" or "Options" shall mean a grant to a Grantee (as defined in Section 3 hereof) of an option or options to purchase Ordinary Shares.

(j) "Ordinance" shall mean the Israeli Income Tax Ordinance (New Version), 1961, as may be amended or replaced from time to time (including the amendment which came into effect on January 1, 2003).

(k) "Ordinary Shares" or "Shares" shall mean ordinary shares, no par value, of the Company.

"Parent" shall mean any company (other than the Company), which now exists or hereafter organized, in an unbroken chain of companies
(l) ending with the Company if, at the time of granting an Award, each of the companies other than the Company owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other companies in such chain.

(m) "Plan" shall mean this VocalTec Communications Ltd. Amended and Restated 2003 Master Stock Option Plan.

(n) "Restriction Period" shall mean a period determined by the Committee or the Board during which Restricted Shares are subject to certain restrictions determined by the Committee or the Board, as stated in the Award Agreement (as defined in Section 3 hereof).

- (o) "Restricted Shares" shall mean a grant to a Grantee of Shares under the Plan that are subject to restrictions under the Award Agreement.
- (p) "Retirement" shall mean a Grantee's retirement pursuant to applicable law or in accordance with the terms of any tax-qualified retirement plan maintained by the Company or any of its affiliates in which the Grantee participates.
- (q) "Subsidiary" shall mean any company (other than the Company), which now exists or hereafter organized, in an unbroken chain of companies beginning with the Company if, at the time of granting an Award, each of the companies other than the last company in the unbroken chain owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other companies in such chain.
- (r) "Trustee" shall mean a person nominated by the Committee or the Board, as the case may be, and approved in accordance with the provisions of New Section 102.

3. ADMINISTRATION

The Plan shall be administered by a committee (the "Committee") established by the Board of Directors of the Company (the "Board").

The Committee shall consist of such number of members (not less than two (2) in number) as may be fixed by the Board. The Committee shall select one of its members as its chairman (the "Chairman") and shall hold its meetings at such times and places as the Chairman shall determine. The Committee shall keep records of its meetings and shall make such rules and regulations for the conduct of its business as it shall deem advisable.

Any member of such Committee shall be eligible to receive Awards under the Plan while serving on the Committee, unless otherwise specified herein.

The Committee shall have the authority in its discretion, subject to and not inconsistent with the express provisions of the Plan and of any applicable laws, to administer the Plan and to exercise all the powers and authorities either specifically granted to it under the Plan or necessary or advisable in the administration of the Plan, including, without limitation, the authority to recommend to the Board, subject to the Companies Law (i) to grant Awards; (ii) to determine the kind of consideration payable (if any) with respect to Awards; (iii) to determine the period during which Awards may be exercised or purchased and, if applicable, during which they will be released from restrictions, and whether in whole or in installments; (iv) to determine the persons to whom, and the time or times at which Awards shall be granted (such persons are referred to herein as "Grantees"); (v) to determine the number of shares to be covered by each Award; (vi) to interpret the Plan; (vii) to prescribe, amend and rescind rules and regulations relating to the Plan; (viii) to determine the terms and provisions of the agreements (which need not be identical) entered into in connection with Awards granted under the Plan (the "Award Agreements"); (ix) to determine which route - the capital gain ("HONI") route, the work income ("PAIROTI") route or any other route available under New Section 102 - shall be adopted for the purposes of the Plan under New Section 102 of the Ordinance; (x) to cancel or suspend Awards, as necessary; and (xi) to make all other determinations deemed necessary or advisable for the administration of the Plan.

The Committee shall be entitled to grant Awards to the Grantees and to issue shares underlying Options which have been granted by the Board and duly exercised pursuant to the provisions hereof only to the extent permitted under section 112(a)(5) of the Israeli Companies Law.

The Board shall fill all vacancies, however caused, in the Committee. The Board may from time to time appoint additional members to the Committee, and may at any time remove one or more Committee members and substitute others.

Subject to applicable laws, no member of the Board or Committee shall be liable for any action taken or determination made in good faith with respect to the Plan or any Award granted hereunder.

All decisions and selections made by the Committee pursuant to the provisions of the Plan shall be made by a majority of its members except that no member of the Committee shall vote on, or be counted for quorum purposes, with respect to any proposed action of the Committee relating to any Award to be granted to that member. Any decision, made by the Committee, and reduced to writing, shall be executed in accordance with the provisions of the Company's Articles of Association, as same may be in effect from time to time. The interpretation and construction by the Committee of any provision of the Plan or of any Award thereunder shall be final and conclusive unless otherwise determined by the Board.

4. ELIGIBILITY

Officers, Directors, and other employees and consultants of the Company, its Parents and Subsidiaries shall be eligible to receive Awards hereunder. In its determination as to the persons to whom Awards shall be granted, the time or times at which grants of Awards will be made, the number of shares to be covered by each Option or the number of Shares or Restricted Shares to be granted, the Committee, in its sole discretion, shall take into account the contribution by the eligible individuals to the management, growth and/or profitability of the business of the Company and such other factors as the Committee shall deem relevant.

Notwithstanding anything in the Plan to the contrary, all grants of Awards to directors and office holders ("Nosei Misra" - as such term is defined in the Israeli Companies Law) shall be authorized and implemented in accordance with the provisions of the Israeli Companies Law or any successor act or regulation, as in effect from time to time.

In addition, it is hereby clarified that 102 Awards may be granted only to employees residing in Israel of the Company or a Subsidiary including to Nosei Misra of the Company. 102 Awards may not be granted to "Controlling Persons" as such term is defined in the Ordinance.

5. TRUSTEE

102 Awards which shall be granted under the Plan and/or any Shares issued upon exercise of 102 Options and/or other shares received subsequently following any realization of rights, shall be allocated or issued to a Trustee nominated by the Committee or the Board, and approved in accordance with the provisions of New Section 102 (the "Trustee") and held for the benefit of the Grantees. The 102 Awards and any Shares received subsequently following exercise of 102 Options shall be held by the Trustee for such period of time as required by New Section 102 or any regulations, rules or orders or procedures promulgated thereunder.

During the holding period with the Trustee as set forth in New Section 102 and as long as the applicable tax has not been paid, neither the Awards nor the Shares, as the case may be, may be sold, transferred, assigned, pledged or mortgaged (other than through a transfer by will or by operation of law), nor may they be the subject of an attachment, power of attorney or transfer deed (other than a power of attorney for the purpose of participation in general meetings of shareholders) unless New Section 102 and/or the regulations, rules, orders or procedures promulgated thereunder allow otherwise.

Notwithstanding anything to the contrary, the Trustee shall not release any Options which were not already exercised into Shares by the Grantee or release any Shares issued upon exercise of Options or release any other Awards prior to the full payment of the Grantee's tax liabilities arising from Awards which were granted to the Grantee and/or any Shares issued upon exercise of such Awards that are Options.

Upon receipt of the 102 Award, the Grantee will sign an undertaking to release the Trustee from any liability in respect of any action or decision duly taken and bona fide executed in relation with the Plan, or any Award granted to the Grantee thereunder.

6. ORDINARY SHARES

The maximum number of Ordinary Shares reserved for the purposes of granting Awards under the Plan shall be 867,600. Such number shall be increased by 200,000 Ordinary Shares every second year, starting in 2010 (the number 867,600 in the immediately preceding sentence includes the increase for 2010). Each such increase will be effective immediately following the annual general meeting of the Company's shareholders that is held in the year in which the increase is to be effected. The foregoing numbers are subject to adjustment as provided in Section 9 hereof. All Awards previously granted under other stock option plans of the Company that were adopted by the Company prior to the adoption of this Plan shall revert to this Plan upon the termination or expiration of such Awards. The Board may increase or decrease the number of Ordinary Shares to be reserved under the Plan. Such shares may, in whole or in part, be authorized but unissued shares or shares that shall have been or may be repurchased by the Company (to the extent permitted pursuant to the Companies Law) or by a trustee appointed by the Board under the relevant provisions of the Companies Law or any equivalent provision. Any of such shares which may remain unsold and which are not subject to outstanding Awards at the termination of the Plan shall cease to be reserved for the purpose of the Plan.

If any outstanding Option under the Plan should, for any reason, expire, be canceled or be terminated without having been exercised in full or any other Award be forfeited in whole or in part, the Ordinary Shares underlying the unexercised, canceled, terminated or forfeited portion of such Award shall (unless the Plan shall have been terminated) become available for subsequent grants of Awards under the Plan.

7. TERMS AND CONDITIONS OF AWARDS

Each Award granted pursuant to the Plan shall be evidenced by a written Award Agreement between the Company and the Grantee, in such forms as the Committee shall from time to time approve, which Award Agreement shall comply with and be subject to the following terms and conditions, unless otherwise specifically provided in such Award Agreement:

(a) **NUMBER OF SHARES.** Each Award Agreement shall state the number of Ordinary Shares to which the Award relates.

TYPE OF AWARD. Each Award Agreement shall specifically state the type of Award granted to the Grantee. The Company shall indicate (b) in each Award Agreement whether the grant of any particular 102 Award is made under the capital gain ("HONI") route, the work income ("PAIROTI") route or any other route available under New Section 102.

AWARD PRICE. Each Award Agreement shall state the Award Price. The Award Price for each Ordinary Share to be issued upon purchase of a Share or a Restricted Share or exercise of an Option shall be not less than the Fair Market Value of the Ordinary Share, unless otherwise (c) determined by the Committee or the Board, as the case may be, in its discretion. The Award Price shall be subject to adjustment as provided in Section 9 hereof. Subject to any applicable laws, the date on which the Committee and/or the Board as the case may be according to applicable laws adopts a resolution expressly granting an Award shall be considered the day on which such Award is granted.

MEDIUM AND TIME OF PAYMENT. The Award Price shall be paid in full, at the time of exercise or purchase or release from restriction, (d) as the Award Agreement may provide, in cash or subject to any applicable laws in Ordinary Shares having a Fair Market Value equal to such Award Price or in a combination of cash and Ordinary Shares or in such other manner as the Committee shall determine.

TERM AND EXERCISABILITY OF OPTIONS. Each Award Agreement covering an Option shall be exercisable at such times and under such conditions as the Committee, in its discretion, shall determine. The exercise period shall be subject to earlier termination as provided in Sections 7(f) and 7(g) hereof. Notwithstanding the above, unless terminated or exercised earlier, Options granted hereunder following (e) December 13, 2005 (or any unexercised portion of such Options) will be terminated on the seventh anniversary of the date of grant of such Option. An Option may be exercised, as to any or all full Ordinary Shares as to which the Option has become exercisable, by giving written notice of such exercise to the Committee.

TERM OF RESTRICTED SHARES. Each Restricted Share shall be released from restrictions at such times and under such conditions as the Committee, in its discretion, shall determine. The Restriction Period shall be subject to earlier termination as provided in Sections 7(f) and 7(g) hereof. Awards of Restricted Shares must be accepted within a period of 60 days (or such shorter period as the Committee may specify at grant) after the grant date, by executing an Award Agreement and by paying whatever Award Price (if any) the Committee has designated thereunder for payment at such time. If the Committee has designated that all or part of the Award Price for any Restricted Shares be paid at any time after the issuance thereof, and such Award Price is not paid within the period specified in the Award Agreement, such Restricted Shares shall be forfeited and shall revert to the Plan.

TERM OF SHARES. All other Awards of Shares must be accepted within a period of 60 days (or such shorter period as the Committee may specify at grant) after the grant date, by executing an Award Agreement and by paying whatever Award Price (if any) the Committee has designated thereunder for payment at such time.

Subject to any applicable law, Awards shall become exercisable or released from restriction in such installments (which may be cumulative) or granted without restrictions as the Committee shall provide in the terms of the respective Award Agreements; provided, however, that the Committee, in its absolute discretion, may, on such terms and conditions as it may determine to be appropriate, accelerate the time at which such Award or any portion thereof may be exercised or released from restriction.

(f) TERMINATION.

OPTIONS. Except as provided in this Section 7(f) and in Section 7(g) hereof, an Option may not be exercised unless the Grantee is then in the service or employ of the Company or a Parent or Subsidiary, and unless the Grantee has remained continuously so employed or has continuously performed such services since the date of grant of the Option. With respect to New 102 Options granted under New Section 102(c), if the Grantee ceases to be employed by the Company or a Subsidiary, the Grantee shall extend to the Company a security or guarantee for the payment of tax due at the time of sale of Shares, all in accordance with the provisions of Section 102 and the rules, regulations and orders promulgated thereunder. In the event that the employment of a Grantee shall terminate or Grantee shall cease performance of services for the Company, a Parent or a Subsidiary thereof)in either event, other than by reason of death, disability or retirement), all Options of such Grantee that are exercisable at the time of such termination or cessation may, unless earlier terminated in accordance with their terms, be exercised within ninety (90) days after the date of such termination or cessation.

RESTRICTED SHARES. In the event of termination of a Grantee's service or employment with the Company or a Parent or Subsidiary, all Restricted Shares still subject to restriction under the applicable Restriction Period as of the date of termination, shall be forfeited and shall revert to the Plan. If the Committee has designated that all or part of the Award Price for any Restricted Shares be paid at any time after the issuance thereof, such amount may be paid within ninety (90) days after the date of such termination or within such earlier date for payment as is specified in the Award Agreement.

(g) DEATH, DISABILITY OR RETIREMENT OF GRANTEE.

OPTIONS. If a Grantee shall die while employed by, or performing services for, the Company or a Parent or subsidiary thereof, or within ninety (90) days after the date of cessation of such Grantee's employment or performance of services other than as a result of termination for cause (or within such longer period as the Committee may have provided pursuant to Section 7(e) hereof), or if the Grantee's employment shall terminate or performance of services shall cease by reason of Disability, or if Grantee's employment shall terminate due to the Grantee's Retirement, all Options theretofore granted to such Grantee (to the extent exercisable) may, unless earlier terminated in accordance with their terms, be exercised by the Grantee or by the Grantee's estate or by a person who acquired the right to exercise such Options by bequest or inheritance or otherwise by reason of the death or Disability of the Grantee, at any time within one year after the date of death or Disability of the Grantee. In the event that an Option granted hereunder shall be exercised by the legal representatives of a deceased or former Grantee, written notice of such exercise shall be accompanied by a certified copy of letters testamentary or equivalent proof of the right of such legal representative to exercise such Option. In the event that the employment or service of a Grantee shall terminate on account of such Grantee's Retirement, all Options of such Grantee that are exercisable at the time of such Retirement may, unless earlier terminated in accordance with their terms, be exercised at any time within ninety (90) days after the date of such Retirement (or such different period as the Committee shall prescribe).

RESTRICTED SHARES. If a Grantee shall die while employed by, or performing services for, the Company or a Parent or subsidiary thereof, or if the Grantee's employment shall terminate or performance of services shall cease by reason of Disability, or if Grantee's employment shall terminate due to the Grantee's Retirement, all Restricted Shares still subject to restriction under the applicable Restriction Period as of the date of termination, as set forth in the Award Agreement, shall be forfeited and shall revert to the Plan. If the Committee has designated that all or part of the Award Price for any Restricted Shares be paid at any time after the issuance thereof, such amount may be paid within ninety (90) days after the date of such death, Disability or Retirement or within such earlier date for payment as is specified in the Award Agreement.

(h) OTHER PROVISIONS. The Award Agreements evidencing Awards under the Plan shall contain such other terms and conditions, not inconsistent with the Plan, as the Committee may determine.

8. RESTRICTED SHARES

Legend. Each Grantee receiving Restricted Shares, or the Trustee, if applicable, shall be issued a share certificate in respect of such Restricted Shares, unless the Committee elects to use another system, such as book entries by the transfer agent, as evidencing ownership of

- (a) Restricted Shares. Such certificate shall be registered in the name of such Grantee or the Trustee, if applicable, and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Award, substantially in the following form (as well as any other legend required by the Committee):

“The attachment, sale, transfer, assignment, pledge, encumbrance or charge of the shares represented hereby are subject to the terms and conditions (including forfeiture) of VocalTec Communications Ltd. (the “Company”) Amended and Restated 2003 Master Stock Option Plan, and an Award Agreement entered into between the registered owner and the Company dated _____. Copies of such Plan and Award Agreement are on file at VocalTec Communications Ltd.”

- (b) Custody. The Committee may require that any certificates evidencing Restricted Shares be held in custody by the Company until the restrictions thereon shall have lapsed, and that, as a condition of any grant of Restricted Shares, the Grantee shall have delivered a duly signed share transfer deed, endorsed in blank, relating to such Restricted Shares.

- (c) Lapse of Restrictions. If and when the Restriction Period expires without a prior forfeiture of the Restricted Shares subject to such Restriction Period, the certificates for such Shares shall be delivered to the Grantee or to the Trustee, if applicable. All legends shall be removed from said certificates at the time of delivery to the Grantee except as otherwise required by this Plan, the Award Agreement and applicable law. Notwithstanding the foregoing, actual certificates shall not be issued to the extent that book entry recordkeeping is used.

- (d) Forfeiture. In the event that any Restricted Shares are to be forfeited in accordance with the provisions of this Plan, all such forfeited Restricted Shares shall be deemed shares the consideration for which was not fully paid for and/or shall become the property of the Company, and any certificate or certificates representing such Restricted Shares shall be returned immediately to the Company at no cost, all in accordance with the provisions of the Companies Law and/or the Articles of Association of the Company applicable to shares of the Company subject to forfeiture. From and after the time a Restricted Share becomes subject to forfeiture hereunder, the holder of such Restricted Share shall no longer have any rights as a holder of such Restricted Share, whether or not the forfeiture was actually effected.

9. EFFECT OF CERTAIN CHANGES

If there is any change in the Ordinary Shares through the declaration of dividends, stock dividends, recapitalization, stock splits, or combinations or exchanges of such shares, or other similar transactions, the number of Ordinary Shares available for the grant of Awards, (a) the number of such shares covered by outstanding Awards, and the price per share of Awards shall be proportionately adjusted by the Committee to reflect such change in the issued shares of Ordinary Shares; provided, however, that any fractional shares resulting from such adjustment shall be eliminated in the manner provided by the Committee in its sole discretion.

(b) In the event of (i) a sale of all or substantially all of the assets of the Company; or (ii) a sale (including an exchange) of all of the shares of capital stock of the Company; or (iii) a merger, consolidation, amalgamation or like transaction of the Company with or into another corporation; or (iv) a scheme of arrangement for the purpose of effecting such sale, merger or amalgamation (all such transactions being herein referred to as a "Merger/Sale"), then, without the Grantee's consent and action –

(i) The Committee in its sole discretion will use its efforts to cause that any Option then outstanding and any Restricted Share then subject to restriction be assumed or an equivalent Award shall be substituted by such successor corporation or, in such event that such transaction is effected through a subsidiary, the parent of such successor corporation, under substantially the same terms as the Award; and

(ii) In such case that such successor corporation or other entity does not agree to assume such Award or to substitute an equivalent Award, then the Committee shall, in lieu of such transaction and in its sole discretion, provide in each Grantee's Award Agreement either (i) in the case of Options - for the Grantee to have the right to exercise the Option as to all of the Ordinary Shares or any part thereof, including Ordinary Shares covered by the Option which would not otherwise be exercisable, under such terms and conditions as the Committee shall determine; and in the case of Restricted Shares then subject to restriction – for all or part of such Restricted Shares to become released from restriction, whether or not against payment by the Grantee of any amounts to the Company, under such terms and conditions as the Committee shall determine; or (ii) for the cancellation of each outstanding Option and the forfeiture of each Restricted Share then subject to restriction at the closing of said Merger/Sale, against payment to the Grantee of an amount in cash equal to (a) the fair market value of each Ordinary Share covered by the Award to be so cancelled or forfeited as reflected under the terms of the Merger/Sale, minus (b) the Award Price of each Ordinary Share covered by the Award to be so cancelled or forfeited.

(iii) Notwithstanding the foregoing, in the event of a Merger/Sale, the Committee may determine in its sole discretion that upon completion of such Merger/Sale, the terms of any Award be otherwise amended and modified, as the Committee shall deem in good faith to be appropriate, and that the Award shall confer the right to purchase any other security or asset, or any combination thereof, or that its terms be otherwise amended or modified, as the Committee shall deem in good faith to be appropriate.

Notwithstanding the foregoing, in the event that the Company and the other party to a Merger/Sale agree that such transaction is to be treated as a "pooling of interests" for financial reporting purposes, and if such transaction is in fact so treated, then any acceleration (c) of exercisability or release from restriction pursuant to Section 9(b)(ii)(ii) shall not occur to the extent that the Company's independent public accountants separately determine in good faith that such acceleration or release would preclude the use of "pooling of interests" accounting.

In the event of a change in the Ordinary Shares of the Company as presently constituted that is limited to a change of all of its authorized (d) shares of Ordinary Shares into the same number of shares with a different par value or with or without par value, the shares resulting from any such change shall be deemed to be the Ordinary Shares within the meaning of the Plan.

Except as herein before expressly provided in this Section 9, the Grantee of an Option hereunder shall have no rights by reason of any subdivision or consolidation of shares of stock of any class or the payment of any stock dividend or any other increase or decrease in the number of shares of stock of any class or by reason of any dissolution, liquidation, merger, or consolidation or spin-off of assets or stock (e) of another company; and any issue by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Ordinary Shares subject to an Option. The grant of an Award pursuant to the Plan shall not affect in any way the right or power of the Company to make adjustments, reclassifications, reorganizations or changes of its capital or business structures or to merge or to consolidate or to dissolve, liquidate or sell, or transfer all or part of its business or assets or engage in any similar transactions.

10. SURRENDER AND EXCHANGES OF OPTIONS

The Committee may permit the voluntary surrender of all or a portion of any Option granted under the Plan or any option granted under any other plan, program or arrangement of the Company or any subsidiary ("Surrendered Option"), to be conditioned upon the granting to the Grantee of a new Option for the same number of shares of Ordinary Shares as the Surrendered Option, or may require such voluntary surrender as a condition precedent to a grant of a new Option to such Grantee. Subject to the provisions of the Plan, such new Option shall be exercisable at the price, during such period and on such other terms and conditions as are specified by the Committee at the time the new Option is granted.

11. PERIOD DURING WHICH AWARDS MAY BE GRANTED

Subject to applicable laws, Awards may be granted pursuant to the Plan from time to time within a period of ten (10) years from the date the Plan is adopted by the Board.

12. NONTRANSFERABILITY OF AWARDS

Options and other Awards (during such times as they are subject to restriction) granted under the Plan shall not be transferable otherwise than by will or by the laws of descent and distribution, and Options may be exercised, during the lifetime of the Grantee, only by the Grantee.

13. TAX CONSEQUENCES

Any tax consequences arising from the grant or exercise of any Award, from the payment for Shares covered thereby or from any other event or act (of the Company, and/or its Subsidiaries, and the Trustee or the Grantee), hereunder, shall be borne solely by the Grantee. The Company and/or its Subsidiaries, and the Trustee shall withhold taxes according to the requirements under the applicable laws, rules, and regulations, including withholding taxes at source. Furthermore, the Grantee shall agree to indemnify the Company and/or its Subsidiaries and/or the Trustee and hold them harmless against and from any and all liability for any such tax or interest or penalty thereon, including without limitation, liabilities relating to the necessity to withhold, or to have withheld, any such tax from any payment made to the Grantee, unless the said liability is a result of default of the Company.

The Committee and/or the Trustee shall not be required to release any Share certificate to a Grantee until all required payments have been fully made.

14. AMENDMENT AND TERMINATION OF THE PLAN

The Board at any time and from time to time may suspend, terminate, modify or amend the Plan. Except as provided in Section 9 hereof, no suspension, termination, modification or amendment of the Plan may adversely affect any Award previously granted, unless the written consent of the Grantee is obtained.

15. RIGHTS AS A SHAREHOLDER

Except as provided in Section 9(e) hereof, a Grantee shall have no rights as a shareholder with respect to any shares covered by the Option until the date of the issuance of a share certificate to the Grantee for such shares and until registration of the Grantee as holder of such shares in the Company's register of shareholders upon exercise of the Option in accordance with the provisions of the Plan. No adjustment shall be made for dividends (ordinary or extraordinary, whether in cash, securities or other property) or distribution of other rights for which the record date is prior to the date such stock certificate is issued, except as provided in Section 9 hereof.

Except as provided in Section 8 and as otherwise determined by the Committee or the Board and set forth in the Award Agreement, and subject to the provisions of Section 102, if applicable, the Grantee shall have, with respect to the Restricted Shares, all of the rights of a holder of Shares including, without limitation, the right to receive any dividends, the right to vote such shares and, subject to and conditioned upon the full vesting of Restricted Shares, the right to tender such shares. Notwithstanding the foregoing, the payment of dividends shall be deferred until, and conditioned upon, the expiration of the applicable Restriction Period, unless the Committee or the Board, in its sole discretion, specifies otherwise at the time of the Award.

16. NO RIGHTS TO EMPLOYMENT

Nothing in the Plan or in any Award granted or Award Agreement entered into pursuant hereto shall confer upon any Grantee the right to continue in the service or employ of the Company or any subsidiary or to be entitled to any remuneration or benefits not set forth in the Plan or such Award Agreement or to interfere with or limit in any way the right of the Company or any such subsidiary to terminate such Grantee's employment or services. Awards granted under the Plan shall not be affected by any change in duties or position of a Grantee as long as such Grantee continues in the service or employ of the Company or any Subsidiary. With respect to all Shares issued upon the exercise or grant of 102 Awards (but excluding, for avoidance of any doubt, any unexercised Options) and held by the Grantee or by the Trustee, as the case may be, the Grantee shall be entitled to receive dividends in accordance with the quantity of such Shares, subject to the provisions of the Company's Articles of Association (as may be amended from time to time (and subject to any applicable taxation on distribution of dividends, and when applicable, subject to the provisions of New Section 102 and the rules, regulations and orders promulgated thereunder.

17. GOVERNING LAW & JURISDICTION

The Plan and all determinations made and actions taken pursuant hereto shall be governed by the laws of the state of Israel applicable to contracts made and to be performed therein, without giving effect to the principles of conflict of laws. The competent courts of Tel Aviv, Israel shall have sole jurisdiction in any matter pertaining to the Plan.

18. APPROVAL

The Plan shall take effect upon its adoption by the Board and shall terminate on the tenth anniversary of such date. Notwithstanding the foregoing, in the event that approval of the Plan by the shareholders of the Company is required under applicable law, in connection with the application of certain tax treatment or pursuant to applicable stock exchange rules or regulations or otherwise, such approval shall be obtained within the time required under the applicable law.

19. EFFECTIVE DATE AND DURATION OF THE PLAN

This Plan shall be effective as of the date it was adopted by the Board and shall terminate on the tenth anniversary of such date.

20. RULES PARTICULAR TO SPECIFIC COUNTRIES

Notwithstanding anything herein to the contrary, the terms and conditions of the Plan may be amended with respect to a particular country (including but not limited to the United States and Israel) by means of an addendum to the Plan in the form of an Annex, and to the extent that the terms and conditions set forth in the Annex conflict with any provisions of the Plan, the provisions of the Annex shall govern. Terms and conditions set forth in the Annex shall apply only to Awards issued to Grantees under the jurisdiction of the specific country that is subject of the Annex and shall not apply to Awards issued to Grantees not under the jurisdiction of such country. The adoption of any such Annex shall be subject to the approval of the Board.

**AMENDED AND RESTATED APPENDIX TO VOCALTEC
COMMUNICATIONS LTD.
AMENDED AND RESTATED 2003 MASTER STOCK OPTION PLAN -
U.S.A. EMPLOYEES
(Last Restatement: December 17, 2010)**

1. DEFINITIONS

Unless otherwise defined herein, capitalized terms used in this USA Annex to the VocalTec Communications Ltd. Amended and Restated 2003 Master Stock Option Plan (the "PLAN") shall have the meaning ascribed to them under the Plan.

2. GENERAL

2.1 This Annex shall be deemed for all intents and purposes as an integral part of the Plan and shall apply only to participants who are residents of the United States or those who are deemed to be residents of the United States for tax purposes ("US GRANTEES"). This Annex amends the Plan so that the Plan complies with certain requirements under applicable USA law in general, and in particular with the provisions of Sections 83 and 421 through 424 of the Code (as defined hereunder). In any case of contradiction, whether explicit or implied, between the provisions of this Annex and the Plan, the provisions set out in this Annex shall prevail; provided that certain terms in the Plan that relate to Israeli persons (including but not limited to all references to Section 102 of the Israeli Income Tax Ordinance (New Version) 1961) shall not be incorporated by reference into this Annex and shall not apply to Grantees under this Annex. For the avoidance of doubt, this Annex does not add to, or modify, the Plan in respect of any Grantees who are not US Grantees.

2.2 Options granted pursuant to this Annex Plan may contain such terms that would qualify the Options as Incentive Stock Options ("ISOS") within the meaning of Section 422(b) of the United States Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder (the "CODE"), and are governed by the rules of Sections 421 through 424 of the Code. Options that do not contain such qualifying terms shall be referred to herein as Non-Statutory Stock Options ("NSSOS").

3. AWARD AGREEMENT

The Award Agreement shall state, INTER ALIA, the number of Ordinary Shares covered thereby, the type of Awards (and if the Awards are Options, whether an ISO or a NSSO), the terms and conditions upon which the Awards shall be issued and exercised and released from restriction (if and as applicable) pursuant to the Plan and this Annex, including the Award Price, the dates when Options may be exercised (subject to the Plan), the vesting schedule on which Options may exercised and the vesting schedule on which Restricted Shares may be released from restrictions.

4. ELIGIBILITY

ISOS may be granted only to Employees (as defined below) of the Company or any Subsidiary (as defined below) or Parent (as defined below). NSSOS may be granted to Grantees of the Company or any Subsidiary or Parent.

"CONSULTANT" shall mean a person who performs bona fide services for the Company, a Parent or a Subsidiary as a consultant or advisor, excluding Employees and Outside Directors.

"EMPLOYEE" shall mean any individual who is a common-law employee of the Company, a Parent or a Subsidiary, or any individual who is a member of the Board. An individual shall not cease to be an "Employee" upon the transfer of such individual's employment among the Company and its Subsidiaries.

"OUTSIDE DIRECTOR" shall mean a member of the Board who is not an Employee.

"PARENT" as defined in Section 424(e) of the Code.

"SUBSIDIARY" as defined in Section 424(f) of the Code.

"SERVICE PROVIDER" means Employees, Outside Directors and Consultants.

5. EXERCISE OF OPTIONS

5.1 Vested Options shall be exercised by the US Grantee, in accordance with Section 7 of the Plan, by giving a written notice to the Company, in such form and method as may be determined by the Company and, when applicable, in accordance with the requirements of the Code. Such exercise shall be effective upon receipt of such notice and the Award Price by the Company at its principal office. The notice shall specify the number of Ordinary Shares with respect to which the Option is being exercised.

5.2 No Option shall be exercisable after the earlier of: (i) in the event of ISOS, the expiration of 7 (seven) years from the date of grant of the Option; (ii) in the event of ISOS to a Ten Percent Shareholder (as defined below), the expiration of 5 (five) years from the date of grant; or (iii) any other expiration date set forth in the relevant Option Agreement.

A "TEN PERCENT SHAREHOLDER" means a person who owns (or is deemed to own pursuant to Section 424(d) of the Code) shares representing more than ten percent (10%) of the total combined voting power of all classes of shares of the Company or of any of its affiliates.

5.3 In the event of ISOS, an Option may be exercised after the date of termination of the US Grantee's employment with, or service to, the Company or any Subsidiary thereof, without cause, within a period of 3 (three) months from the date of such termination, but only with respect to the number of Options already vested at the time of such termination according to the vesting schedule of the Options set forth in the relevant Option Agreement. In the event of termination for any other reason, the Options will be exercisable according to Sections 7(f) and 7(g) of the Plan.

6. OPTIONS PRICE

- The Option Price of each Option shall be set forth in the US Grantee's Award Agreement, provided, however, that the Award Price of each ISO shall be not less than one hundred percent (100%) of the Fair Market Value of the Ordinary Shares subject to the Option on the date such Option is granted.
- 6.2 Notwithstanding Section 6.1 above, a Ten Percent Shareholder shall not be granted ISO unless the exercise price of such Option is at least one hundred and ten percent (110%) of the Fair Market Value of the Ordinary Shares at the date of grant.

For avoidance of any doubt and subject to Sections 6.1 and 6.2 above, the Award Price of any Option shall be determined by the Board or the Committee, as the case may be, at its sole discretion.

- 6.3 To the extent the aggregate Fair Market Value (determined at the time of grant of the Option) of the Ordinary Shares with respect to which ISOS are exercisable for the first time by any US Grantee during any calendar year under all plans of the Company and its affiliates exceeds US \$100,000, the Options or portions thereof which exceed such limit (according to the order in which they were granted) shall be treated as NSSO.

7. ASSIGNABILITY AND SALE OF OPTIONS

No Option, whether fully paid or not, shall be assignable, transferable or given as collateral nor will any right with respect to it shall be given to any third party whatsoever, and during the lifetime of the US Grantee each and all of such US Grantee's rights to purchase Ordinary Shares shall be exercisable only by the US Grantee. Any transfer or other assignment of any Option or any right with respect to any Option made directly or indirectly, for an immediate or a future validation shall be void.

8. INTEGRATION OF THE CODE

- 8.1 The provisions of the Plan, this Annex and the Option Agreement shall be subject to the provisions of the Code, which shall be deemed an integral part thereof and hereof.

- 8.2 Any provision of the Code which is necessary in order to receive and/or to maintain any tax benefit pursuant to the Code, which is not expressly specified in the Plan, this Annex or the Award Agreement, shall be considered binding upon the parties to the Award Agreement.

9. TERMINATION OF EMPLOYMENT OR SERVICES

Notwithstanding Sections 7(f) and 7(g) of the Plan, in the case of ISOS, the term "disability" shall have the meaning ascribed to it in Section 22(e)(3) of the Code.

10. EFFECTIVE DATE; TERM

This Annex shall be effective as of the date on which it is adopted by the Board and shall terminate at the end of ten (10) years from such date of adoption or its approval by the shareholders, whichever is earlier.

11. AMENDMENT TO THE PLAN AND ANNEX

11.1 Notwithstanding Section 14 of the Plan, no amendment alteration, suspension or termination of the Plan and/or this Annex shall be deemed effective for the purpose of grant of Options under this Annex, unless approved by the shareholders of the Company within 12 (twelve) months before or after the adoption of such amendment alteration, suspension or termination, by the Board, if such shareholders' approval is required to comply with any applicable law, including but not limited to, any amendment that will:

- (a) increase the number of Ordinary Shares reserved for the Options under the Plan (except as provided in Section 9 of the Plan regarding adjustments upon changes in share capital); or
- (b) modify the requirements as to eligibility for participation in the Plan and/or this Annex to the extent that such modification requires shareholders approval in order for the Plan and/or this Annex to comply with Section 422 of the Code; or
- (c) modify the Plan and/or this Annex in any other way, if such modification requires shareholders approval in order for the Plan and/or this Annex to satisfy the requirements of Section 422 of the Code.

12. TAX CONSEQUENCES

Any tax consequences arising from the grant or exercise of any Award, from the payment for Ordinary Shares covered thereby, or from any other event or act (of the Company, and/or its Subsidiaries, and/or its Parent or the US Grantee), hereunder, for which the US Grantee is liable shall be borne solely by the US Grantee. The Company and/or its Subsidiaries, and/or its Parent shall withhold taxes according to the requirements under the applicable laws, rules, and regulations, including withholding taxes at source. Furthermore, the US Grantee shall agree to indemnify the Company and/or its Subsidiaries, and/or its Parent and hold them harmless against and from any and all liability for any such tax or interest or penalty thereon, including without limitation, liabilities relating to the necessity to withhold, or to have withheld, any such tax from any payment made to the US Grantee.

The receipt of these Awards and the acquisition of the shares to be issued upon the exercise of the Awards may result in tax consequences. The description of tax consequences set forth in the Plan, this Annex and the Award Agreement does not purport to be complete. THE GRANTEE IS ADVISED TO CONSULT WITH A TAX ADVISOR WITH RESPECT TO THE TAX CONSEQUENCES OF RECEIVING OR EXERCISING THE AWARDS.

The Company shall not be required to release any certificate representing any Ordinary Shares to an US Grantee until all required tax payments therefore have been fully made.

13. US GRANTEE'S REPRESENTATIONS

In the event the Ordinary Shares have not been registered under the United States Securities Act of 1933, as amended or any other applicable law at the time the Awards are granted or exercised, the US Grantee shall, if required by the Company, as a condition to the grant or exercise of all or any portion of the Award, deliver to the Company an investment representation statement in a form determined by the Company. The Company may also require the US Grantee to make any other representations that the Company or its counsel deems necessary to permit the issuance of the Ordinary Shares under applicable law.

14. CONVERSION OF ISOS INTO NSSOS; TERMINATION OF ISOS

The Board, at the written request of any US Grantee, may, in its discretion, take such actions as may be necessary to convert such US Grantee's ISOS (or any portions thereof) that have not been exercised on the date of conversion into NSSOS, at any time prior to the expiration of such ISOS, regardless of whether the US Grantee is an Employee of the Company or a Subsidiary or a Parent at the time of such conversion. Such actions may include, but not be limited to, extending the exercise period or reducing the exercise price of such Options. At the time of such conversion, the Board (with the consent of the US Grantee) may impose such conditions on the exercise of the resulting NSSOS, as the Board in its discretion may determine, provided that such conditions shall not be inconsistent with the Plan and/or this Annex. Nothing in the Plan and/or in this Annex shall be deemed to give any US Grantee the right to have such US Grantee's ISOS converted into NSSOS, and no such conversion shall occur unless and until the Board takes appropriate action. The Board, with the consent of the US Grantee, may also terminate any portion of any ISO that has not been exercised at the time of such conversion.

15. NOTICE TO COMPANY OF DISQUALIFYING DISPOSITION

Each Employee who receives an ISO must agree to notify the Company in writing immediately after the Employee makes a Disqualifying Disposition (as defined below) of any Ordinary Shares acquired upon the exercise of an ISO.

A "DISQUALIFYING DISPOSITION" means any disposition (including any sale) of such Ordinary Shares before a date which is both (i) two (2) years after the date the Employee was granted the ISO, and (ii) one (1) year after the date the Employee acquired Ordinary Shares by exercising the ISO. If the Employee has died before such Ordinary Share is sold, these holding periods requirements shall not apply and no Disqualifying Disposition can occur thereafter.

16. SPECIAL TERMS FOR RESTRICTED SHARES

In accordance with the terms of the Code, a US Grantee shall be responsible for payment of all taxes incurred in connection with the grant of Restricted Shares. Accordingly, upon the release of Restricted Shares from restrictions, or upon making a Section 83(b) Election, a US Grantee shall make provision for the payment of all required withholding to the Company.

"SECTION 83(B) ELECTION" means an election by a Grantee to include the Fair Market Value of a Share (less any amount paid for the Share) at the time of grant as part of the Grantee's income in accordance with Section 83(b) of the Code. A Section 83(b) Election must be filed in writing with the Internal Revenue Service within thirty (30) days of the date of the Award, with a copy to the Company or affiliate with whom the Grantee is employed or otherwise engaged.

17. DEFERRED COMPENSATION.

To the extent that the Committee determines that any Award granted under the Plan and this Annex is subject to Section 409A of the Code, the Award Agreement evidencing such Award shall incorporate the terms and conditions required by Section 409A of the Code, including providing for alternative definitions than those provided in the Plan and this Annex as needed to comply with Section 409A of the Code. To the extent applicable, the Plan, this Annex and the Award Agreements shall be interpreted in accordance with Section 409A of the Code and Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued hereafter. Notwithstanding any provision of the Plan or this Annex to the contrary, in the event that at any time hereafter the Committee determines that any Award may be subject to Section 409A of the Code and related Department of Treasury guidance (including such Department of Treasury guidance as may be issued hereafter), the Committee may adopt such amendments to the Plan or the Annex and the applicable Award Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Committee determines are necessary or appropriate to (a) exempt the Award from Section 409A of the Code and/or preserve the intended tax treatment of the benefits provided with respect to the Award, or (b) comply with the requirements of Section 409A of the Code and related Department of Treasury guidance. The Committee may permit deferrals of compensation pursuant to the terms of a US Grantee's Award Agreement, a separate plan, or an Annex that (in each case) meets the requirements of Code Section 409A.

**AMENDED AND RESTATED APPENDIX TO VOCALTEC
COMMUNICATIONS LTD.
AMENDED AND RESTATED 2003 MASTER STOCK OPTION PLAN -
NON-U.S. AND NON-ISRAELI EMPLOYEES AND CONSULTANTS
(Last Restatement: December 17, 2010)**

1. PURPOSE; EFFECTIVENESS; INCORPORATION OF TERMS OF PLAN

The purpose of this Annex to the VocalTec Communications Ltd. Amended and Restated 2003 Master Stock Option Plan (the "Plan") is to afford an incentive to employees and consultants of VocalTec Communications Ltd. (the "Company") or any current or future subsidiary of the Company, which employees are residents of countries other than Israel and the U.S., to acquire a proprietary interest in the Company, to increase their efforts on behalf of the Company or any current or future subsidiary thereof and to promote the success of the Company's and its subsidiaries' business.

All of the terms of the Plan are incorporated by reference into this Annex, except where in conflict with the terms of this Annex, in which event the terms of this Annex shall prevail; provided that certain terms in the Plan that relate to Israeli persons (including but not limited to all references to Section 102 of the Israeli Income Tax Ordinance (New Version) 1961) shall not be incorporated by reference into this Annex and shall not apply to Grantees under this Annex. The terms and conditions set forth in this Annex shall apply only to Awards issued to Grantees that are subject to the jurisdiction of the specific country that is subject to this Annex and shall not apply to Awards issued to Grantees not subject to any such jurisdiction.

2. DEFINITIONS

All capitalized terms used and not otherwise defined herein shall have the meanings assigned to them in the Plan.

3. TAX AND OTHER CONSEQUENCES

The Company is making no representations or warranties with respect to any tax consequences arising from the grant or exercise of any Award under this Annex, from the payment for Shares covered thereby or from any other event or act (of the Company, any Subsidiary thereof and the Grantee), nor is the Company assuming any responsibility with respect to the compliance by the Grantee with any laws, including but not limited to securities laws, existing now or which shall exist in the future in the jurisdiction of the Grantee, and the Grantee will be solely responsible for any such consequences and for full compliance with such securities and other laws. Neither the Company nor any of its Subsidiaries shall withhold any taxes or other amounts in connection with a grant of Awards hereunder or the issuance of Shares upon exercise or release from restrictions of such Awards. Furthermore, the Grantee shall indemnify the Company and/or its Subsidiaries and hold them harmless against and from any and all liabilities which they may incur with respect to any such consequences or non-compliance by the Grantee, including without limitation liabilities relating to the necessity to withhold, or to have withheld, any such tax or other amount from any payment made to the Grantee, unless the said liability is a result of a default of the Company or any Subsidiary thereof.

The receipt of Awards and the acquisition of Shares upon the exercise of Options may result in tax consequences. The description of tax consequences set forth in the Plan, this Annex and the Award Agreement does not purport to be complete. THE GRANTEE IS ADVISED TO CONSULT WITH A TAX ADVISOR WITH RESPECT TO THE TAX CONSEQUENCES OF RECEIVING OR EXERCISING THE AWARDS.

The Company may condition the release to a Grantee of a certificate representing any Shares on the receipt from such Grantee of a representation that all required tax payments in connection with the grant, exercise or release from restrictions of an Award and the sale of Awards and Shares issued upon exercise of Options have been fully made and that such grant, exercise, release from restrictions and sale do not conflict with any applicable law in the jurisdiction to which the Grantee is subject, including but not limited to all applicable securities laws.

4. GOVERNING LAW & JURISDICTION

This Annex and all determinations made and actions taken pursuant hereto shall be governed by the laws of the state of Israel applicable to contracts made and to be performed therein, without giving effect to the principles of conflict of laws. The competent courts of Tel Aviv, Israel shall have sole jurisdiction in any matter pertaining to the Plan.