

SECURITIES AND EXCHANGE COMMISSION

FORM S-1/A

General form of registration statement for all companies including face-amount certificate companies [amend]

Filing Date: **1999-07-27**
SEC Accession No. **0000891618-99-003296**

([HTML Version](#) on secdatabase.com)

FILER

PACKETEER INC

CIK: **1011344** | IRS No.: **770420107** | State of Incorporation: **DE** | Fiscal Year End: **1231**
Type: **S-1/A** | Act: **33** | File No.: **333-79077** | Film No.: **99670739**
SIC: **7373** Computer integrated systems design

Mailing Address

10495 N. DE ANZA BLVD
CUPERTINO CA 95014-2028

Business Address

10495 NORTH DE ANZA BLVD
CUPERTINO CA 95014-2028
4088734400

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JULY 27, 1999

REGISTRATION NO. 333-79077

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 3

TO

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

PACKETEER, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

<TABLE>			
<S>	DELAWARE	<C>	7373
	(STATE OF INCORPORATION)		(PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)
		<C>	77-0420107
			(INTERNAL REVENUE SERVICE EMPLOYER IDENTIFICATION NUMBER)
</TABLE>			

10495 N. DE ANZA BOULEVARD
CUPERTINO, CALIFORNIA 95014
(408) 873-4400

(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF THE REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

CRAIG W. ELLIOTT
PRESIDENT AND CHIEF EXECUTIVE OFFICER
PACKETEER, INC.
10495 N. DE ANZA BOULEVARD
CUPERTINO, CALIFORNIA 95014
(408) 873-4400

(NAME AND ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF AGENT FOR SERVICE)

COPIES TO:

<TABLE>		
<S>	WARREN T. LAZAROW	<C>
	ARMANDO CASTRO	
	VAHE H. SARRAFIAN	
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	2200 GENG ROAD	JOHN SASAKI
	PALO ALTO, CALIFORNIA 94303	WILSON SONSINI GOODRICH & ROSATI
	(650) 424-0160	PROFESSIONAL CORPORATION
</TABLE>		650 PAGE MILL ROAD
		PALO ALTO, CALIFORNIA 94304
		(650) 493-9300

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:
AS SOON AS PRACTICABLE AFTER THIS REGISTRATION STATEMENT BECOMES EFFECTIVE.

If the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended (the "Securities Act"), other than securities offered only in connection with dividend or interest reinvestment plans, please check the following box. []

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

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act

registration statement number of the earlier effective registration statement for the same offering. []

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

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

CALCULATION OF REGISTRATION FEE

<TABLE> <S>	<C>	<C>
TITLE OF SHARES TO BE REGISTERED	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)	AMOUNT OF REGISTRATION FEE(2)
Common Stock, \$0.001 par value per share.....	\$64,400,000	\$17,904

</TABLE>

(1) Estimated solely for the purpose of computing the amount of the Registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.

(2) \$15,346 already paid.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THE REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

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THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES, AND WE ARE NOT SOLICITING OFFERS TO BUY THESE SECURITIES, IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

SUBJECT TO COMPLETION, DATED JULY 27, 1999

LOGO
4,000,000 SHARES
COMMON STOCK

Packeteer, Inc. is offering 4,000,000 shares of its common stock. This is our initial public offering and no public market currently exists for our shares. The shares being sold in the offering have been approved for quotation on the Nasdaq National Market under the symbol "PKTR." We anticipate that the initial public offering price will be between \$12 and \$14 per share.

INVESTING IN OUR COMMON STOCK INVOLVES RISKS.
SEE "RISK FACTORS" BEGINNING ON PAGE 4.

<TABLE>
<CAPTION>

	PER SHARE	TOTAL
	-----	-----
<S>	<C>	<C>
Public Offering Price.....	\$	\$
Underwriting Discounts and Commissions.....	\$	\$
Total Proceeds to Packeteer.....	\$	\$

</TABLE>

THE SECURITIES AND EXCHANGE COMMISSION AND STATE SECURITIES REGULATORS HAVE NOT APPROVED OR DISAPPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Packeteer has granted the underwriters a 30-day option to purchase up to 600,000 additional shares of our common stock. BancBoston Robertson Stephens Inc. expects to deliver the shares of common stock to purchasers on , 1999.

 BANCOSTON ROBERTSON STEPHENS
 BEAR, STEARNS & CO. INC.

DAIN RAUSCHER WESSELS
 A DIVISION OF DAIN RAUSCHER INCORPORATED

The date of this prospectus is , 1999.

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 BANCOSTON ROBERTSON STEPHENS INTERNATIONAL LIMITED
 BEAR, STEARNS INTERNATIONAL LIMITED
 DAIN RAUSCHER WESSELS
 A DIVISION OF DAIN RAUSCHER
 INCORPORATED

YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN THIS PROSPECTUS. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH INFORMATION DIFFERENT FROM THAT CONTAINED IN THIS PROSPECTUS. WE ARE OFFERING TO SELL, AND SEEKING OFFERS TO BUY, SHARES OF COMMON STOCK ONLY IN JURISDICTIONS WHERE OFFERS AND SALES ARE PERMITTED. THE INFORMATION CONTAINED IN THIS PROSPECTUS IS ACCURATE ONLY AS OF THE DATE OF THIS PROSPECTUS, REGARDLESS OF THE TIME OF DELIVERY OF THIS PROSPECTUS OR OF ANY SALE OF OUR COMMON STOCK.

UNTIL , 1999, ALL DEALERS THAT BUY, SELL OR TRADE OUR COMMON STOCK, WHETHER OR NOT PARTICIPATING IN THIS OFFERING, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS REQUIREMENT IS IN ADDITION TO THE DEALERS' OBLIGATION TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

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Packeteer, PacketShaper, PacketWise and our spiral design logo are trademarks of Packeteer. This prospectus also contains other trade names, trademarks of Packeteer and of other companies.

PROSPECTUS SUMMARY

You should read this summary together with the more detailed information regarding our company and the common stock being sold in this offering and our consolidated financial statements and related notes to financial statements appearing elsewhere in this prospectus. Because this is only a summary, you should read the rest of the prospectus before you invest in our common stock. Read this entire prospectus carefully, especially the risks described under "Risk Factors."

Unless otherwise indicated, the information in this prospectus assumes the automatic conversion of each outstanding share of preferred stock into one share of common stock and no exercise of the underwriter's option to purchase additional shares.

PACKETEER, INC.

Packeteer is a provider of network software products that enhance mission-critical application performance over enterprise wide area networks and the Internet. An enterprise wide area network, or WAN, is a computer communications network that extends beyond a single location or office. Our application-adaptive bandwidth management solutions give businesses and service providers control of bandwidth at congested WAN access links, the slow-speed bottlenecks that connect high-speed local area networks, or LANs, with wide area backbone networks. Our bandwidth management solutions are application-adaptive

because they allow network managers to identify different applications at the WAN access link and to control the bandwidth allocated to each of these applications, enabling them to protect the performance of their most critical applications.

We deliver comprehensive application-adaptive bandwidth management by discovering and classifying network traffic, analyzing application and network performance, controlling traffic flows and reporting on performance. These four steps are accomplished through our PacketWise software which is embedded in our PacketShaper family of products and in the networking products of our technology partners. Our PacketShaper product family consists of hardware platforms based on Intel compatible microprocessor technologies. Installing a PacketShaper imposes no changes to the existing network's equipment, configuration or software.

Today, both the Internet and its underlying protocols have grown to positions of prominence in enterprise networking. From its origins as a network connecting academic and government institutions, the Internet has evolved into an interactive communications and commerce platform supporting businesses' daily operations. Electronic commerce extends the confines of the enterprise network across the Internet, making application performance difficult to ensure.

The rapid emergence of Internet computing has created new challenges for information technology managers. Enterprise users access graphics-intensive web sites, download large files, view streaming media presentations, monitor news and stock quotes and access other non-critical information over the Internet. In enterprise networks that are overwhelmed by increasing amounts of both non-critical and mission-critical traffic, unmanaged congestion at the WAN access link undermines application performance and can result in impaired productivity and lost revenues. Businesses and service providers require bandwidth management solutions to enhance mission-critical application performance, increase network efficiency and enable the convergence of data, voice and video traffic.

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Our application-adaptive bandwidth management solutions enable businesses and service providers to realize the following key benefits:

- Gain Network Performance Visibility and Insight. We provide valuable historical and real-time information about application performance and network utilization.
- Ensure Bandwidth to Mission-Critical Applications. Our policy-based bandwidth allocation protects bandwidth for mission-critical applications from less critical traffic.
- Simplify Deployment. Our solutions require no changes to the existing network infrastructure, install easily and automatically start to discover, classify and analyze network traffic.
- Enable Interactive Services. We deliver smooth and predictable performance of delay-sensitive multimedia services that require guaranteed bandwidth, such as voice calls over networks based on Internet Protocol and real-time video.
- Increase Network Efficiency. We improve network efficiency and help delay expensive capacity upgrades by managing non-critical traffic and smoothing the variability in bandwidth utilization.
- Facilitate E-Commerce. Our solutions optimize response times for critical e-commerce sites such as online retailing or banking by automatically redirecting users with slower network connections to less graphics-intensive web pages.

Our objective is to be the leading provider of application-adaptive bandwidth management solutions to businesses and service providers. We believe we have established a differentiated market position based on our comprehensive solution that provides the elements for effective bandwidth management, early market leadership and brand awareness. We intend to continue to direct our development and sales and marketing efforts toward addressing the bandwidth management needs of the Internet computing market. We plan to expand our presence in the service provider market by providing solutions that enable service providers to offer higher value-added application-based services. We intend to continue to build our indirect channel and develop additional technology partnerships to enable the worldwide deployment of our technology. Finally, we plan to extend our bandwidth management technology leadership to increase the performance, functionality and modularity of our existing bandwidth management solutions and to develop new leading-edge technologies for emerging markets.

We have shipped over 2,800 PacketShapers to date and have established a network of over 100 value-added resellers, or VARs, distributors and systems

integrators that sell our solutions in over 50 countries. In addition, we have technology partners who license our PacketWise software for integration into their networking products and private-label relationships with companies such as Lucent Technologies, Inc., who resell our PacketWise-enabled platforms under their private labels.

We were incorporated in Delaware on January 25, 1996. Our principal executive offices are located at 10495 North De Anza Boulevard, Cupertino, California 95014, and our telephone number at that address is (408) 873-4400. Information contained on our web site at www.packeteer.com does not constitute part of this prospectus.

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THE OFFERING

Common stock offered by Packeteer.....	4,000,000 shares
Common stock to be outstanding after this offering.....	26,153,884 shares
Use of proceeds.....	General corporate purposes including working capital, repayment of \$2.5 million of indebtedness and potential acquisitions. See "Use of Proceeds."
Nasdaq National Market Symbol.....	PKTR

The number of shares of common stock to be outstanding after this offering is based upon shares outstanding as of June 30, 1999. This number excludes, as of June 30, 1999, 1,833,167 shares of common stock reserved for issuance under our equity plans and 2,936,377 shares of common stock issuable upon exercise of outstanding stock options and warrants.

SUMMARY CONSOLIDATED FINANCIAL DATA

The as adjusted consolidated balance sheets data summarized below reflects the conversion of our preferred stock into 12,391,001 shares of common stock upon the completion of this offering and the application of the net proceeds from the sale of 4,000,000 shares of common stock offered hereby at an assumed offering price of \$13.00 per share and after deducting the underwriting discounts and commissions and our estimated offering expenses. Please see Note 1 of Notes to Consolidated Financial Statements for an explanation of the number of shares used in computing per share data.

<TABLE>
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	JAN. 25, 1996 (INCEPTION) TO DEC. 31, 1996	YEARS ENDED DECEMBER 31,		SIX MONTHS ENDED JUNE 30,	
		1997	1998	1998	1999
(IN THOUSANDS, EXCEPT PER SHARE DATA)					
<S>	<C>	<C>	<C>	<C>	<C>
CONSOLIDATED STATEMENTS OF OPERATIONS DATA:					
Total net revenues.....	\$ --	\$ 1,413	\$ 7,230	\$ 2,917	\$ 7,080
Gross profit.....	--	956	4,844	1,847	5,153
Total operating expenses.....	1,312	7,076	13,932	5,611	10,082
Net loss from operations.....	(1,312)	(6,120)	(9,088)	(3,764)	(5,649)
Net loss.....	\$(1,237)	\$(5,909)	\$(8,799)	\$(3,629)	\$(5,723)
Basic and diluted net loss per share.....	\$(1.28)	\$(1.82)	\$(1.54)	\$(0.72)	\$(0.76)
Shares used in computing basic and diluted net loss per share.....	965	3,253	5,709	5,064	7,565
Pro forma basic and diluted net loss per share.....			\$(0.49)		\$(0.29)
Shares used in computing pro forma basic and diluted net loss per share.....			18,100		19,956

</TABLE>

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	JUNE 30, 1999	
	ACTUAL	AS ADJUSTED
<S>	<C>	<C>
CONSOLIDATED BALANCE SHEETS DATA:		
Cash, cash equivalents and short-term investments.....	\$ 7,774	\$55,084
Working capital.....	1,786	49,096
Total assets.....	11,430	58,740
Long-term obligations.....	2,498	2,498
Total stockholders' equity.....	327	47,637

RISK FACTORS

You should carefully consider the risks described below before making an investment decision. If any of the following risks actually occur, our business, financial condition or results of operations could be materially and adversely affected. In such case, the trading price of our common stock could decline, and you may lose all or part of your investment.

OUR LIMITED OPERATING HISTORY AND THE RAPIDLY EVOLVING MARKET WE SERVE MAKES EVALUATING OUR BUSINESS PROSPECTS DIFFICULT

We were incorporated in January 1996 and began shipping our products commercially in February 1997. Because of our limited operating history and the uncertain nature of the rapidly changing market that we serve, we believe the prediction of future results of operations is difficult. As an investor in our common stock, you should consider the risks and difficulties that we face as an early stage company in a new and rapidly evolving market. Some of the specific risks we face include our ability to:

- execute our sales and marketing strategy;
- maintain current and develop new relationships with key VARs, distributors, systems integrators and original equipment manufacturers, or OEMs; and
- expand our domestic and international sales efforts.

WE HAVE A HISTORY OF LOSSES, EXPECT OUR EXPENDITURES TO INCREASE AND OUR LOSSES TO CONTINUE, AND MAY NEVER ACHIEVE PROFITABILITY

We have incurred losses since we commenced operations in 1996 and may never achieve profitability. Furthermore, we currently expect that our operating expenditures will continue to increase significantly and we may not generate a sufficient level of revenues to offset these expenditures or be able to adjust spending in a timely manner to respond to any unanticipated decline in revenues. We incurred net losses of \$1.2 million in 1996, \$5.9 million in 1997, \$8.8 million in 1998 and \$5.7 million for the six months ended June 30, 1999. As of June 30, 1999, we had an accumulated deficit of \$21.7 million. Although our revenues have grown in recent quarters, we cannot be certain when or if we will realize sufficient revenues to achieve profitability. If revenues grow slower than we anticipate or if operating expenditures exceed our expectations or cannot be adjusted accordingly, we may continue to experience significant losses on a quarterly and annual basis. Even if we achieve profitability, we cannot assure you that we can sustain or increase profitability on a quarterly or annual basis in the future.

OUR FUTURE OPERATING RESULTS MAY NOT MEET ANALYSTS' EXPECTATIONS AND MAY FLUCTUATE SIGNIFICANTLY, WHICH COULD ADVERSELY AFFECT OUR STOCK PRICE

We believe that period-to-period comparisons of our operating results cannot be relied upon as an indicator of our future performance. Our operating results may be below the expectations of public market analysts or investors in some future quarter. If this occurs, the price of our common stock would likely decrease. Our operating results are likely to fluctuate significantly in the future on both a quarterly and an annual basis due to a number of factors, many of which are outside our control. Factors that could cause our operating results to fluctuate include variations in:

- the mix of products we sell;
- the mix of channels through which those products are sold;

- the average selling prices of our products;
- the timing and size of orders and shipments of our products;
- the amount and timing of revenues from OEMs; and
- the amount and timing of our operating expenses.

In the past, we have experienced fluctuations in operating results. For example, gross margin decreased from 69.6% for the three months ended December 31, 1997 to 61.8% for the three months ended March 31, 1998, primarily due to variations in the mix of products sold and variations in channels through which

products were sold. Research and development expenses have fluctuated due to increased prototype expenses and consulting fees related to the launch of new products, increased personnel expenses and costs associated with a facilities move. Sales and marketing expenses have fluctuated due to increased personnel expenses, expenditures related to trade shows and the launch of new products. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for detailed information on our annual and quarterly operating results.

OUR RELIANCE ON SALES OF OUR PRODUCTS BY OTHERS MAKES IT DIFFICULT TO PREDICT OUR REVENUES AND RESULTS OF OPERATIONS

The timing of our revenues is difficult to predict because of our reliance on indirect sales channels and the variability of our sales cycle. The length of our sales cycle for sales through our indirect channel partners to our end users may vary substantially depending upon the size of the order and the distribution channel through which our products are sold. We expect to have difficulties in predicting revenues from OEMs because we are unable to forecast unit sales of their products which incorporate our technology. Sales from our VARs and systems integrators to end users typically take three to four months to complete. We are dependent on timely and accurate inventory information from our indirect channel partners to enable us to establish channel inventory reserves for indirect channel partners whose inventory exceeds normal stocking levels. If this inventory information is not timely or accurate, we could experience increased levels of sales returns or unforecasted fluctuations in future revenue.

If revenues forecasted in a particular quarter do not occur in that quarter, our operating results for that quarter could be adversely affected. Furthermore, because our expense levels are based on our expectations as to future revenue and to a large extent are fixed in the short term, a substantial reduction or delay in sales of our products or the loss of any significant indirect channel partner could harm our business.

IF THE BANDWIDTH MANAGEMENT SOLUTIONS MARKET FAILS TO GROW, OUR BUSINESS WILL FAIL

The market for bandwidth management solutions is in an early stage of development and its success is not guaranteed. Therefore, we cannot accurately assess the size of the market, the products needed to address the market, the optimal distribution strategy, or the competitive environment that will develop. In order for us to be successful, our potential customers must recognize the value of more sophisticated bandwidth management solutions, decide to invest in the management of their networks and the performance of important business software applications and, in particular, adopt our bandwidth management solutions. The growth of the bandwidth management solutions market also depends upon a number of factors, including the availability of inexpensive bandwidth, especially in international markets, and the growth of wide area networks.

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IF WE ARE UNABLE TO DEVELOP AND MAINTAIN STRONG PARTNERING RELATIONSHIPS WITH OUR INDIRECT CHANNEL PARTNERS, OR IF THEIR SALES EFFORTS ON OUR BEHALF ARE NOT SUCCESSFUL, OUR SALES MAY SUFFER AND OUR REVENUES MAY NOT INCREASE

We rely on an indirect distribution channel consisting of VARs, distributors, systems integrators and OEMs for all of our revenues. Because many of our indirect channel partners also sell competitive products, our success and revenue growth will depend on our ability to develop and maintain strong cooperative relationships with significant indirect channel partners, as well as on the sales efforts and success of those indirect channel partners.

We cannot assure you that our indirect channel partners will market our products effectively or continue to devote the resources necessary to provide us with effective sales, marketing and technical support. In order to support and develop leads for our indirect distribution channels, we plan to expand our field sales and support staff significantly. We cannot assure you that this internal expansion will be successfully completed, that the cost of this expansion will not exceed the revenues generated or that our expanded sales and support staff will be able to compete successfully against the significantly more extensive and well-funded sales and marketing operations of many of our current or potential competitors. In addition, our indirect channel agreements are generally not exclusive and one or more of our channel partners may compete directly with another channel partner for the sale of our products in a particular region or market. This may cause such channel partners to stop or reduce their efforts in marketing our products. Our inability to effectively establish or manage our distribution channels would harm our sales.

DEVELOPING STRONG OEM RELATIONSHIPS WILL BE TIME AND RESOURCE INTENSIVE AND MAY NOT RESULT IN THE SUCCESSFUL DEPLOYMENT OF OUR TECHNOLOGY AND PRODUCTS

One aspect of our sales strategy is to develop relationships with OEM partners that will license our PacketWise software and incorporate it into their networking products. If we are not successful in entering into suitable OEM

relationships, our ability to successfully deploy our PacketWise software and build brand awareness would be harmed. The development of OEM relationships generally involves a considerable amount of management time and company resources as potential OEM partners evaluate the viability of integrating our technology. We cannot assure you that potential OEM partners will enter into a relationship with us after we have expended these efforts and costs. In addition, even if we are successful in entering into an OEM relationship, we cannot assure you that our current or future OEM partners will be able to integrate our technology into commercially viable products on a timely basis. Furthermore, we cannot assure you that our OEM partners will give a high priority to the marketing and sale of products which incorporate our technology or that our OEM partners will not develop competitive products and decide to terminate or minimize their relationship with us. The failure to build and maintain successful OEM relationships would have a negative effect on the deployment of our technology and products.

IF WE ARE NOT ABLE TO MAINTAIN CURRENT AND FUTURE OEM RELATIONSHIPS, OUR BUSINESS WILL BE HARMED

We may be unable to retain our current or future OEM partners. Generally, OEM relationships can be terminated with little or no notice. Our recent OEM agreements with ADC Telecommunications, Inc. and Adtran, Inc. are not exclusive and are each for an initial term of five years, with no obligation for either ADC or Adtran to renew their respective agreements with us. We expect to enter into similar OEM relationships in the future. If our relationship with any current or future OEM partner is terminated by either party, we may not be successful in replacing such partner on a timely basis or at all with another suitable OEM partner.

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OUR RELIANCE ON OEM PARTNERS FOR THE SALE OF OUR PRODUCTS MAKES IT DIFFICULT TO MANAGE AND FORECAST PRODUCTION AND DELIVERY SCHEDULES AND SALES EXPECTATIONS

Our inability to forecast the level of orders from OEM partners may make it difficult to schedule production, manage our contract manufacturers, and forecast sales. The level and timing of orders placed by OEM partners who purchase hardware from us may vary due to many factors including OEM partners' attempts to balance their inventories, changes in the OEM partners' manufacturing strategies and variation in demand for their products. Due to product life cycles, competitive and economic conditions, these OEM partners generally do not commit to firm production schedules in advance. Anticipated orders from our current or future OEM partners may not materialize or delivery schedules may be deferred as a result of changes in customer's business needs. These order fluctuations and deferrals will harm our business.

THE PACKETSHAPER FAMILY OF PRODUCTS AND PACKETWISE SOFTWARE ARE CURRENTLY OUR ONLY PRODUCTS, AND ALL OF OUR CURRENT REVENUES AND A SIGNIFICANT PORTION OF OUR FUTURE GROWTH DEPENDS ON THEIR COMMERCIAL SUCCESS

All of our current revenues and a significant portion of our future growth depends on the commercial success of our PacketShaper family of products and PacketWise software, which are the only products that we currently offer. If our target customers do not widely adopt, purchase and successfully deploy the PacketShaper family of products or PacketWise software, our revenues will not grow significantly.

IF OUR INTERNATIONAL SALES EFFORTS ARE UNSUCCESSFUL, OUR BUSINESS WILL FAIL TO GROW

The failure of our indirect partners to sell our products internationally will harm our business. Sales to customers outside of North America accounted for 54.7% of our total net revenues in 1998 and 55.0% of our total net revenues for the six months ended June 30, 1999. In particular, sales to customers in our Asia Pacific region accounted for 31.0% of our total net revenues in 1998 and 28.7% of our total net revenues for the six months ended June 30, 1999. Our ability to grow will depend in part on the expansion of international sales, which will require success on the part of our VARs, distributors, systems integrators and OEMs in marketing our products.

We intend to expand operations in our existing international markets and to enter new international markets, which will demand management attention and financial commitment. We may not be able to successfully expand our international operations. In addition, a successful expansion of our international operations and sales in foreign markets will require us to develop relationships with suitable indirect channel partners operating abroad. We may not be able to identify, attract or retain these indirect channel partners.

Furthermore, to increase revenues in international markets, we will need to continue to establish foreign operations, to hire additional personnel to run these operations and to maintain good relations with our foreign indirect channel partners. To the extent that we are unable to successfully do so, our growth in international sales will be limited.

Our international sales are currently all U.S. dollar-denominated. As a result, an increase in the value of the U.S. dollar relative to foreign currencies could make our products less competitive in international markets. In the future, we may elect to invoice some of our international customers in local currency. Doing so will subject us to fluctuations in exchange rates between the U.S. dollar and the particular local currency.

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SALES TO MACNICA, ADC TELECOMMUNICATIONS OR OUR OTHER LARGE CUSTOMERS WOULD BE DIFFICULT TO REPLACE IF LOST

A limited number of indirect channel partners have accounted for a large part of our revenues to date and we expect that this trend will continue. Because our expense levels are based on our expectations as to future revenue and to a large extent are fixed in the short term, any significant reduction or delay in sales of our products to any significant indirect channel partner or unexpected returns from these indirect channel partners could harm our business. Sales to Macnica, Inc. accounted for 11.9% of our total net revenues in 1998. For the six months ended June 30, 1999, sales to ADC Telecommunications accounted for 10.6% of total net revenues and sales to Macnica accounted for 10.5% of total net revenues. We expect that our largest customers in the future could be different from our largest customers today. End users can stop purchasing and indirect channel partners can stop marketing our products at any time. We cannot assure you that we will retain these indirect channel partners or that we will be able to obtain additional or replacement partners. The loss of one or more of our key indirect channel partners or the failure to obtain and ship a number of large orders each quarter could harm our operating results.

COMPETITION FOR EXPERIENCED PERSONNEL IS INTENSE AND OUR INABILITY TO ATTRACT AND RETAIN QUALIFIED PERSONNEL COULD SIGNIFICANTLY INTERRUPT OUR BUSINESS OPERATIONS

Our future success will depend, to a significant extent, on the ability of our management to operate effectively, both individually and as a group. Given our early stage of development, we are dependent on our ability to attract, retain and motivate high caliber key personnel. We have recently expanded our sales force, and we are actively searching for systems engineers, research and development engineers and sales and marketing personnel, all of whom are in short supply. We currently have a small indirect channel partner and end-user service and support organization and will need to increase our staff to support new indirect channel partners and end users and the expanding needs of existing indirect channel partners and end users. Additionally, we rely on qualified systems engineers and service and support personnel to provide pre- and post-sales technical support for our products. Competition for qualified personnel in the networking industry, including systems engineers, sales and service and support personnel, is intense, and we may not be successful in attracting and retaining such personnel. There may be only a limited number of persons with the requisite skills to serve in these key positions and it may become increasingly difficult to hire such persons. Our business will suffer if we encounter delays in hiring these additional personnel.

Competitors and others have in the past and may in the future attempt to recruit our employees. We do not have employment contracts with any of our personnel. We currently maintain "key person" life insurance on Craig W. Elliott, our chief executive officer, Robert L. Packer, our chief technology officer, and Brett D. Galloway, our vice president of engineering and chief operating officer. The loss of the services of any of our senior management could negatively impact our ability to carry out our business plan.

WE MAY BE UNABLE TO COMPETE EFFECTIVELY WITH OTHER COMPANIES IN OUR MARKET SECTOR WHO ARE SUBSTANTIALLY LARGER AND MORE ESTABLISHED AND WHO HAVE SIGNIFICANTLY GREATER RESOURCES THAN OUR COMPANY

We compete in a new, rapidly evolving and highly competitive sector of the networking technology market. We expect competition to persist and intensify in the future from a number of different sources. Increased competition could result in reduced prices and gross margins for our products and could require increased spending by us on research and development, sales and marketing and customer support, any of which could harm our business. We compete with Cisco

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Systems, Inc. and CheckPoint Software Technologies Ltd., which sell products incorporating competing technologies. We also compete with several small private companies which utilize competing technologies to provide bandwidth management. In addition, our products and technology compete for information technology budget allocations with products that offer monitoring capabilities, such as probes and related software. Lastly, we face indirect competition from companies that offer enterprises and service providers increased bandwidth and

infrastructure upgrades that increase the capacity of their networks, which may lessen or delay the need for bandwidth management solutions.

Many of our competitors are substantially larger than we are and have significantly greater financial, sales and marketing, technical, manufacturing and other resources and more established distribution channels. These competitors may be able to respond more rapidly to new or emerging technologies and changes in customer requirements or devote greater resources to the development, promotion and sale of their products than we can. We have encountered, and expect to encounter, customers who are extremely confident in and committed to the product offerings of our competitors. Furthermore, some of our competitors may make strategic acquisitions or establish cooperative relationships among themselves or with third parties to increase their ability to rapidly gain market share by addressing the needs of our prospective customers. These competitors may enter our existing or future markets with solutions that may be less expensive, provide higher performance or additional features or be introduced earlier than our solutions. Given the market opportunity in the bandwidth management solutions market, we also expect that other companies may enter our market with alternative products and technologies, which could reduce the sales or market acceptance of our products and services, perpetuate intense price competition or make our products obsolete. If any technology that is competing with ours is or becomes more reliable, higher performing, less expensive or has other advantages over our technology, then the demand for our products and services would decrease, which would harm our business.

IF WE DO NOT EXPAND OR ENHANCE OUR PRODUCT OFFERINGS OR RESPOND EFFECTIVELY TO TECHNOLOGICAL CHANGE, OUR BUSINESS MAY NOT GROW

Our future performance will depend on the successful development, introduction and market acceptance of new and enhanced products that address customer requirements in a cost-effective manner. We cannot assure you that our technological approach will achieve broad market acceptance or that other technologies or solutions will not supplant our approach. The bandwidth management solutions market is characterized by rapid technological change, frequent new product introductions, changes in customer requirements and evolving industry standards. The introduction of new products, market acceptance of products based on new or alternative technologies, or the emergence of new industry standards, could render our existing products obsolete or make it easier for other products to compete with our products. Developments in router-based queuing schemes could also significantly reduce demand for our product. Alternative technologies, including packet-queuing technology, could achieve widespread market acceptance. Our future success will depend in large part upon our ability to:

- develop and maintain competitive products;
- enhance our products by adding innovative features that differentiate our products from those of our competitors;
- bring products to market on a timely basis at competitive prices;
- identify and respond to emerging technological trends in the market; and
- respond effectively to new technological changes or new product announcements by others.

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We have in the past experienced delays in product development which to date have not materially adversely affected us. However, these delays may occur in the future and could result in a loss of customers and market share.

INTRODUCTION OF OUR NEW PRODUCTS MAY CAUSE CUSTOMERS TO DEFER PURCHASES OF OUR EXISTING PRODUCTS WHICH COULD HARM OUR OPERATING RESULTS

When we announce new products or product enhancements that have the potential to replace or shorten the life cycle of our existing products, customers may defer purchasing our existing products. These actions could harm our operating results by unexpectedly decreasing sales, increasing our inventory levels of older products and exposing us to greater risk of product obsolescence.

IF WE ARE UNABLE TO EFFECTIVELY MANAGE OUR GROWTH, WE MAY EXPERIENCE OPERATING INEFFICIENCIES AND HAVE DIFFICULTY MEETING DEMAND FOR OUR PRODUCTS

We have rapidly and significantly expanded our operations and anticipate that further significant expansion will be required to address potential growth in our customer base and market opportunities. This expansion could place a significant strain on our management, products and support operations, sales and marketing personnel and other resources, which could harm our business.

In the future, we may experience difficulties meeting the demand for our

products and services. The installation and use of our products requires training. If we are unable to provide training and support for our products, the implementation process will be longer and customer satisfaction may be lower. In addition, our management team may not be able to achieve the rapid execution necessary to fully exploit the market for our products and services. We cannot assure you that our systems, procedures or controls will be adequate to support the anticipated growth in our operations.

We may not be able to install management information and control systems in an efficient and timely manner, and our current or planned personnel, systems, procedures and controls may not be adequate to support our future operations.

THE AVERAGE SELLING PRICES OF OUR PRODUCTS COULD DECREASE RAPIDLY WHICH MAY NEGATIVELY IMPACT GROSS MARGINS AND REVENUES

We may experience substantial period-to-period fluctuations in future operating results due to the erosion of our average selling prices. The average selling prices of our products could decrease in the future in response to competitive pricing pressures, increased sales discounts, new product introductions by us or our competitors or other factors. Therefore, to maintain our gross margins, we must develop and introduce on a timely basis new products and product enhancements and continually reduce our product costs. Our failure to do so would cause our revenue and gross margins to decline.

OUR RELIANCE ON PEMSTAR, INC. AND SANMINA CORPORATION FOR SUBSTANTIALLY ALL OF OUR MANUFACTURING REQUIREMENTS COULD CAUSE US TO LOSE ORDERS IF THESE THIRD PARTY MANUFACTURERS FAIL TO SATISFY OUR COST, QUALITY AND DELIVERY REQUIREMENTS

We currently contract with PEMSTAR, Inc. and Sanmina Corporation, for the manufacture of all of our current products. Any manufacturing disruption could impair our ability to fulfill orders. Our future success will depend, in significant part, on our ability to have others manufacture our

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products cost-effectively and in sufficient volumes. We face a number of risks associated with our dependence on third-party manufacturers including:

- reduced control over delivery schedules;
- the potential lack of adequate capacity during periods of excess demand;
- manufacturing yields and costs;
- quality assurance; and
- increases in prices and the potential misappropriation of our intellectual property.

We have no long-term contracts or arrangements with any of our vendors that guarantee product availability, the continuation of particular payment terms or the extension of credit limits. We have experienced in the past, and may experience in the future, problems with our contract manufacturers, such as inferior quality, insufficient quantities and late delivery of product. To date, these problems have not materially adversely affected us. We may not be able to obtain additional volume purchase or manufacturing arrangements on terms that we consider acceptable, if at all. If we enter into a high-volume or long-term supply arrangement and subsequently decide that we cannot use the products or services provided for in the agreement, our business will be harmed. We cannot assure you that we can effectively manage our contract manufacturers or that these manufacturers will meet our future requirements for timely delivery of products of sufficient quality or quantity. Any of these difficulties could harm our relationships with customers and cause us to lose orders.

In the future, we may seek to use additional contract manufacturers. We may experience difficulty in locating and qualifying suitable manufacturing candidates capable of satisfying our product specifications or quantity requirements. Further, new third-party manufacturers may encounter difficulties in the manufacture of our products resulting in product delivery delays.

MOST OF THE COMPONENTS FOR OUR PRODUCTS COME FROM SINGLE OR LIMITED SOURCES, AND WE COULD LOSE SALES IF THESE SOURCES FAIL TO SATISFY OUR SUPPLY REQUIREMENTS

Almost all of the components used in our products are obtained from single or limited sources. Our products have been designed to incorporate a particular set of components. As a result, our desire to change the components of our products or our inability to obtain suitable components on a timely basis would require engineering changes to our products before we could incorporate substitute components.

We do not have any long-term supply contracts to ensure sources of supply. If our contract manufacturers fail to obtain components in sufficient quantities when required, our business could be harmed. Our suppliers also sell products to

our competitors. Our suppliers may enter into exclusive arrangements with our competitors, stop selling their products or components to us at commercially reasonable prices or refuse to sell their products or components to us at any price. Our inability to obtain sufficient quantities of sole-sourced or limited-sourced components, or to develop alternative sources for components or products would harm our ability to grow our business.

OUR PRODUCTS MAY HAVE ERRORS OR DEFECTS THAT WE FIND AFTER THE PRODUCTS HAVE BEEN SOLD, WHICH COULD NEGATIVELY AFFECT OUR REVENUES, INCREASE OUR COSTS AND THE MARKET ACCEPTANCE OF OUR PRODUCTS

Our products are complex and may contain undetected defects, errors or failures in either the hardware or software. In addition, because our products plug into our end users' existing networks between the WAN access router and the enterprise local area network, or LAN, they can directly affect the functionality of the network. We have in the past encountered errors in our products, which in a few instances resulted in complete network failures. To date, these errors have not materially

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adversely affected us. Additional errors may occur in our products in the future. The occurrence of defects, errors or failures could result in the failure of our customer's network or mission-critical applications, delays in installation, product returns and other losses to us or to our customers or end users. In addition, we would have limited experience responding to new problems that could arise with any new products that we introduce. These occurrences could also result in the loss of or delay in market acceptance of our products, which could harm our business.

We may also be subject to liability claims for damages related to product errors. While we carry insurance policies covering this type of liability, these policies may not provide sufficient protection should a claim be asserted. A material product liability claim may harm our business.

ANY ACQUISITIONS WE MAKE COULD RESULT IN DILUTION, UNFAVORABLE ACCOUNTING CHARGES AND DIFFICULTIES IN SUCCESSFULLY MANAGING OUR BUSINESS

We continually evaluate strategic acquisitions of other businesses. If we were to consummate an acquisition, we would be subject to a number of risks, including the following:

- difficulty in integrating the acquired operations and retaining acquired personnel;
- limitations on our ability to retain acquired distribution channels and customers;
- diversion of management's attention and disruption of our ongoing business; and
- limitations on our ability to successfully incorporate acquired technology and rights into our service offerings and maintain uniform standards, controls, procedures, and policies.

We may not successfully overcome problems encountered in connection with potential acquisitions. In addition, an acquisition could harm our operating results by diluting our stockholders' equity, causing us to incur additional debt, or requiring us to amortize acquisition expenses and acquired assets.

Finally, recent and proposed changes by the Financial Accounting Standards Board (FASB) and the SEC in the rules for merger accounting may affect our ability to make acquisitions or be acquired. For example, elimination of the "pooling" method of accounting for mergers increases the amount of goodwill that we would be required to recognize if we acquire another company, which would have an adverse financial impact on our future net loss or net income. The requirement to capitalize in-process research and development costs in connection with an acquisition could result in goodwill which must be amortized over several years, increasing our losses or reducing our net income.

FAILURE TO ADEQUATELY PROTECT OUR INTELLECTUAL PROPERTY WOULD RESULT IN SIGNIFICANT HARM TO OUR BUSINESS

Our success depends significantly upon our proprietary technology and our failure or inability to protect our proprietary technology would result in significant harm to our business. We rely on a combination of patent, copyright and trademark laws, and on trade secrets and confidentiality provisions and other contractual provisions to protect our proprietary rights. These measures afford only limited protection. We currently have one issued U.S. patent and 10 pending patent applications including one for which we have received a notice of allowance. Our means of protecting our proprietary rights in the U.S. or abroad may not be adequate and competitors may independently develop similar technologies. Our future success will depend in part on our ability to protect

our proprietary rights and the technologies used in our principal products. Despite our efforts to protect our proprietary rights and technologies unauthorized parties may attempt to copy aspects of our products or to obtain and use trade secrets or other information that we regard as proprietary. Legal proceedings to enforce our intellectual property rights could be burdensome and expensive and could

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involve a high degree of uncertainty. These legal proceedings may also divert management's attention from growing our business. In addition, the laws of some foreign countries do not protect our proprietary rights as fully as do the laws of the U.S. Issued patents may not preserve our proprietary position. If we do not enforce and protect our intellectual property, our business will suffer substantial harm.

CLAIMS BY OTHERS THAT WE INFRINGE ON THEIR INTELLECTUAL PROPERTY RIGHTS COULD BE COSTLY TO DEFEND AND COULD HARM OUR BUSINESS

We may be subject to claims by others that our products infringe on their intellectual property rights. These claims, whether or not valid, could require us to spend significant sums in litigation, pay damages, delay product shipments, reengineer our products or acquire licenses to such third-party intellectual property. We may not be able to secure any required licenses on commercially reasonable terms, or at all. We expect that we will increasingly be subject to infringement claims as the number of products and competitors in the bandwidth management solutions market grows and the functionality of products overlaps. Any of these claims or resulting events could harm our business.

IF OUR PRODUCTS DO NOT COMPLY WITH EVOLVING INDUSTRY STANDARDS AND GOVERNMENT REGULATIONS, OUR BUSINESS COULD BE HARMED

The market for bandwidth management solutions is characterized by the need to support industry standards as these different standards emerge, evolve and achieve acceptance. In the United States, our products must comply with various regulations and standards defined by the Federal Communications Commission and Underwriters Laboratories. Internationally, products that we develop may be required to comply with standards established by telecommunications authorities in various countries as well as with recommendations of the International Telecommunication Union. To remain competitive we must continue to introduce new products and product enhancements that meet these emerging U.S. and International standards. However, in the future we may not be able to effectively address the compatibility and interoperability issues that arise as a result of technological changes and evolving industry standards. Failure to comply with existing or evolving industry standards or to obtain timely domestic or foreign regulatory approvals or certificates could harm our business.

OUR GROWTH AND OPERATING RESULTS WOULD BE IMPAIRED IF WE ARE UNABLE TO MEET OUR FUTURE CAPITAL REQUIREMENTS

We currently anticipate that the proceeds of this offering, together with our existing cash balances and available line of credit will be sufficient to meet our liquidity needs for at least the next 12 months. However, we may need to raise additional funds if our estimates of revenues, working capital or capital expenditure requirements change or prove inaccurate or in order for us to respond to unforeseen technological or marketing hurdles or to take advantage of unanticipated opportunities.

In addition, we expect to review potential acquisitions that would complement our existing product offerings or enhance our technical capabilities. While we have no current agreements or negotiations underway with respect to any such acquisition, any future transaction of this nature could require potentially significant amounts of capital. These funds may not be available at the time or times needed, or available on terms acceptable to us. If adequate funds are not available, or are not available on acceptable terms, we may not be able to take advantage of market opportunities to develop new products or to otherwise respond to competitive pressures.

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ADDITIONAL SHARES HELD BY EXISTING STOCKHOLDERS MAY BE SOLD INTO THE PUBLIC MARKET IN THE FUTURE, WHICH MAY CAUSE OUR STOCK PRICE TO DECLINE

Sales of a substantial number of shares of common stock after this offering could adversely affect the market price of our common stock and could impair our ability to raise capital through the sale of additional equity securities. After completion of this offering, we will have outstanding 26,153,884 shares of common stock, assuming no exercise of outstanding options or warrants after June 30, 1999 and no exercise of the underwriters' over-allotment option. The 4,000,000 shares of common stock sold in this offering, which would be 4,600,000 shares if the underwriters' over-allotment option to purchase additional shares

is exercised in full, will be freely tradable without restriction or further registration under the federal securities laws unless purchased by our "affiliates" as that term is defined in Rule 144. The remaining 22,153,884 shares of common stock outstanding upon completion of this offering will be "restricted securities" as that term is defined in Rule 144.

All of our stockholders, option holders and warrant holders are subject to agreements that limit their ability to sell their shares of common stock. These securityholders cannot sell or otherwise dispose of any shares of common stock for a period of at least 180 days after the date of this prospectus without the prior written approval of BancBoston Robertson Stephens or us in certain cases. When these agreements expire, these shares and the shares underlying the options will become eligible for sale, in some cases only pursuant to the volume, manner of sale and notice requirements of Rule 144. See "Management -- Employee Benefit Plans," "Shares Eligible for Future Sale" and "Underwriting."

OUR EXECUTIVE OFFICERS AND DIRECTORS WILL BE ABLE TO CONTROL ALL MATTERS REQUIRING STOCKHOLDER APPROVAL INCLUDING DELAYING OR PREVENTING A CHANGE IN OUR CORPORATE CONTROL

After this offering, our executive officers and directors and their affiliates will together control approximately 54.0% of the outstanding common stock. As a result, these stockholders, if they act together, will be able to control all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions. This concentration of ownership may have the effect of delaying, preventing or deterring a change in control of Packeteer, could deprive our stockholders of an opportunity to receive a premium for their common stock as part of a sale of Packeteer and might affect the market price of our common stock.

CERTAIN PROVISIONS OF OUR CHARTER AND OF DELAWARE LAW MAKE A TAKEOVER OF PACKETEER MORE DIFFICULT, WHICH COULD LOWER THE MARKET PRICE OF THE COMMON STOCK

Our corporate documents and Section 203 of the Delaware General Corporation Law could discourage, delay or prevent a third party or a significant stockholder from acquiring control of Packeteer. In addition, provisions of our certificate of incorporation may have the effect of discouraging, delaying or preventing a merger, tender offer or proxy contest involving Packeteer. Any of these anti-takeover provisions could lower the market price of the common stock and could deprive our stockholders of the opportunity to receive a premium for their common stock that they might otherwise receive from the sale of Packeteer.

YOU WILL INCUR SUBSTANTIAL AND IMMEDIATE DILUTION

You will incur substantial and immediate dilution in the net tangible book value of \$11.18 per share. Net tangible book value per share represents the amount of total tangible assets less total liabilities, divided by the number of shares of common stock then outstanding. To the extent that currently outstanding options and warrants are exercised or converted, there will be further dilution in your shares. See "Dilution."

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YEAR 2000 PROBLEMS MAY DISRUPT OUR BUSINESS AND THE COSTS TO CORRECT THESE PROBLEMS MAY BE MATERIAL

Some computers, software, and other equipment include computer code in which calendar year data is abbreviated to only two digits. As a result of this design decision, some of these systems could fail to operate or fail to produce correct results if "00" is interpreted to mean 1900, rather than 2000. As a result, computer systems and software used by many companies and governmental agencies may need to be upgraded to comply with year 2000 requirements or risk system failure or miscalculations causing disruptions of normal business activities. These problems are widely expected to increase in frequency and severity as the year 2000 approaches, and are commonly referred to as the "year 2000 problem." We have begun to identify measures to address the issues arising from the year 2000 problem. The risks associated with being year 2000 compliant are unknown. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Year 2000 readiness disclosure."

THIS PROSPECTUS CONTAINS FORWARD-LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES

This prospectus contains forward-looking statements that are not historical facts but rather are based on current expectations, estimates and projections about our industry, our beliefs and assumptions. Words such as "anticipates", "expects", "intends", "plans", "believes", "seeks", "estimates" and variations of these words and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and other factors, some of which are beyond our control, are difficult to predict and could cause actual results to

differ materially from those expressed or forecasted in the forward-looking statements. These risks and uncertainties include those described in "Risk Factors" and elsewhere in this prospectus. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect our management's view only as of the date of this prospectus. We undertake no obligation to update these statements or publicly release the results of any revisions to the forward-looking statements that we may make to reflect events or circumstances after the date of this prospectus or to reflect the occurrence of unanticipated events.

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USE OF PROCEEDS

Our net proceeds from the sale and issuance of 4,000,000 shares of common stock are estimated to be approximately \$47.3 million (approximately \$54.6 million if the underwriters' over-allotment option is exercised in full), at an assumed offering price of \$13.00 per share and after deducting the estimated underwriting discounts and commissions and the estimated offering expenses payable by Packeteer.

We will use \$2.5 million of the net proceeds to repay a subordinated loan which bears interest at a rate of 12.25% per annum. We intend to use the remainder of the proceeds of this offering for working capital and to fund our operations, including to continue expanding and enhancing our sales and marketing operations and to continue expanding our product offerings. We have not yet determined our expected use of these proceeds but we currently anticipate that we will incur at least \$5.0 million in research and development expenses, \$13.0 million in sales and marketing expenses and \$2.5 million in general and administrative expenses over the next twelve months. Actual expenditures may vary substantially from these estimates. The amounts and timing of our actual expenditures will depend upon numerous factors, including the status of our product development efforts, marketing and sales activities, and the amount of cash generated by our operations and competition. We may find it necessary or advisable to use portions of the proceeds for other purposes.

We may also use a portion of the net proceeds to acquire complementary businesses, products or technologies. From time to time, we evaluate these potential acquisitions and we anticipate continuing to make such evaluations. We have no current plans, agreements or commitments with respect to any such acquisitions. Pending any of these uses, we intend to invest the net proceeds of this offering in short-term, interest-bearing, investment grade securities.

DIVIDEND POLICY

We have never declared or paid any cash dividends on our capital stock and we do not anticipate paying any cash dividends on our capital stock in the foreseeable future. We currently intend to retain future earnings, if any, for use in our business. Our line of credit arrangement prohibits us to pay dividends without the lender's prior consent.

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CAPITALIZATION

The following table sets forth our capitalization as of June 30, 1999:

- on an actual basis;
- on a pro forma basis giving effect to the conversion of all outstanding shares of preferred stock into common stock upon completion of the offering; and
- as adjusted to reflect the receipt by Packeteer of the estimated net proceeds from the sale of the 4,000,000 shares of common stock offered by Packeteer at an assumed offering price of \$13.00 per share and after deducting the estimated underwriting discounts and commissions and the estimated offering expenses.

<TABLE>
<CAPTION>

AS OF JUNE 30, 1999

	ACTUAL	PRO FORMA	AS ADJUSTED
(IN THOUSANDS)			
<S>	<C>	<C>	<C>
Current portion of long-term obligations.....	\$ 3,330	\$ 3,330	\$ 3,330
Long-term obligations.....	2,498	2,498	2,498
Stockholders' equity:			
Preferred stock, \$0.001 par value per share; 13,703,287 shares authorized, actual; 5,000,000 shares authorized, pro forma and as adjusted; 12,391,001 shares issued and outstanding, actual; no shares issued and outstanding, pro forma and as adjusted.....	13	--	--
Common stock, \$0.001 par value per share; 40,000,000 shares authorized, actual and pro forma; 85,000,000 shares authorized, as adjusted; 9,762,883 shares issued and outstanding, actual; 22,153,884 shares issued and outstanding, pro forma; and 26,153,884 shares issued and outstanding, as adjusted.....	10	23	26
Additional paid-in capital.....	26,043	26,043	73,350
Deferred stock-based compensation.....	(3,265)	(3,265)	(3,265)
Notes receivable from stockholders.....	(806)	(806)	(806)
Accumulated deficit.....	(21,668)	(21,668)	(21,668)
Total stockholders' equity.....	327	327	47,637
Total capitalization.....	\$ 2,825	\$ 2,825	\$ 50,135

</TABLE>

The outstanding shares shown above exclude, as of June 30, 1999:

- 2,506,750 shares of common stock issuable upon exercise of stock options outstanding under our 1996 Equity Incentive Plan at a weighted average exercise price of \$3.21 per share;
- 200,628 shares of common stock issuable upon the exercise of outstanding warrants at a weighted average exercise price of \$3.67 per share;
- 1,333,167 shares of common stock reserved for future issuance under our 1999 Stock Incentive Plan;
- 500,000 shares of common stock reserved for future issuance under our 1999 Employee Stock Purchase Plan; and
- 228,999 shares of common stock issuable upon exercise of stock options outstanding outside of our equity plans.

See "Management -- Employee Benefit Plans" and Note 5 of Notes to Consolidated Financial Statements.

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DILUTION

As of June 30, 1999 our net tangible book value was \$327,000, or \$0.03 per share of common stock. Net tangible book value per share represents the amount of total tangible assets less total liabilities, divided by the number of shares of common stock then outstanding.

After giving effect to the sale of 4,000,000 shares of common stock offered by Packeteer, at an assumed offering price of \$13.00 per share and after deducting the estimated underwriting discounts and commissions and the estimated expenses related to this offering, our net tangible book value on June 30, 1999 would have been \$47.6 million, or approximately \$1.82 per share. This represents an immediate increase in net tangible book value of \$1.79 per share to existing stockholders and an immediate dilution of \$11.18 per share to new investors. The following table illustrates this per share dilution:

<S>	<C>	<C>
Assumed offering price per share.....		\$13.00
Net tangible book value per share as of June 30, 1999.....	\$0.03	
Increase per share attributable to the offering.....	1.79	
Net tangible book value per share after the offering.....		1.82

Dilution per share to new investors..... \$11.18
 =====

</TABLE>

The following table summarizes, as of June 30, 1999, on the pro forma basis described above, the difference between the number of shares of common stock purchased from Packeteer, the total consideration paid and the average price per share paid by the existing stockholders and by new public investors purchasing shares from us before deducting underwriting discounts and commissions and estimated offering expenses:

<TABLE>
 <CAPTION>

	SHARES PURCHASED		TOTAL CONSIDERATION		AVERAGE PRICE PER SHARE
	NUMBER	PERCENT	AMOUNT	PERCENT	
<S>	<C>	<C>	<C>	<C>	<C>
Existing stockholders.....	22,153,884	84.7%	\$21,068,000	28.8%	\$ 0.95
New investors.....	4,000,000	15.3	52,000,000	71.2	13.00
Total.....	26,153,884	100.0%	\$73,068,000	100.0%	

</TABLE>

The foregoing computations are based on the number of shares of common stock outstanding as of June 30, 1999 and exclude:

- 2,506,750 shares of common stock issuable upon exercise of stock options outstanding under Packeteer's 1996 Equity Incentive Plan at a weighted average exercise price of \$3.21 per share;
- 200,628 shares of common stock issuable upon the exercise of outstanding warrants at a weighted average exercise price of \$3.67 per share;
- 1,333,167 shares of common stock reserved for future issuance under our 1999 Stock Incentive Plan;
- 500,000 shares of common stock reserved for future issuance under our 1999 Employee Stock Purchase Plan; and
- 228,999 shares of common stock issuable upon exercise of stock options outstanding outside of our equity plans.

The issuance of common stock in connection with the exercise of these options and warrants will result in further dilution to new investors. See "Capitalization," "Management -- Employee Benefit Plans," "Description of Capital Stock" and Note 5 of Notes to Consolidated Financial Statements.

SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data should be read in conjunction with our consolidated financial statements and related notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this prospectus. The consolidated statements of operations data for the period from January 25, 1996, the date of inception, to December 31, 1996 and for each of the years in the two-year period ended December 31, 1998, and the consolidated balance sheets data at December 31, 1997 and 1998, are derived from the consolidated financial statements of Packeteer which have been audited by KPMG LLP, independent auditors, and are included in this prospectus. The consolidated balance sheet data at December 31, 1996 is derived from audited consolidated financial statements not included in this prospectus. The selected historical consolidated financial data as of June 30, 1999 and for the six months ended June 30, 1998 and 1999 have been derived from unaudited consolidated financial statements included elsewhere in this prospectus, that include, in the opinion of management, all adjustments, consisting only of normal recurring adjustments, that we consider necessary for fair presentation of our financial position and results of operations for those periods. The historical results are not necessarily indicative of the operating results to be expected in the future.

<TABLE>
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PERIOD FROM	YEARS ENDED	SIX MONTHS
JAN. 25, 1996	DECEMBER 31,	ENDED JUNE 30,
(INCEPTION) TO	-----	-----
DEC. 31, 1996	1997 1998	1998 1999

	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
<S>	<C>	<C>	<C>	<C>	<C>
CONSOLIDATED STATEMENTS OF OPERATIONS DATA:					
Net revenues:					
Product revenues.....	\$ --	\$ 1,413	\$ 7,105	\$ 2,917	\$ 6,330
Licensing revenues.....	--	--	125	--	750
Total net revenues.....	--	1,413	7,230	2,917	7,080
Cost of revenues.....	--	457	2,386	1,070	1,927
Gross profit.....	--	956	4,844	1,847	5,153
Operating expenses:					
Research and development.....	725	2,932	2,779	1,168	2,220
Sales and marketing.....	349	3,210	8,866	3,469	5,656
General and administrative.....	238	934	1,750	746	1,142
Amortization of stock-based compensation.....	--	--	537	228	1,784
Total operating expenses.....	1,312	7,076	13,932	5,611	10,802
Net loss from operations.....	(1,312)	(6,120)	(9,088)	(3,764)	(5,649)
Other income (expense), net.....	75	211	289	135	(74)
Net loss.....	\$(1,237)	\$(5,909)	\$(8,799)	\$(3,629)	\$(5,723)
Basic and diluted net loss per share.....	\$ (1.28)	\$ (1.82)	\$ (1.54)	\$ (0.72)	\$ (0.76)
Shares used in computing basic and diluted net loss per share.....	965	3,253	5,709	5,064	7,565
Pro forma basic net loss per share.....			\$ (0.49)		\$ (0.29)
Shares used in computing pro forma basic net loss per share.....			18,100		19,956

</TABLE>

<TABLE>
<CAPTION>

	DECEMBER 31,			
	1996	1997	1998	JUNE 30, 1999
<S>	<C>	<C>	<C>	<C>
(IN THOUSANDS)				
CONSOLIDATED BALANCE SHEETS DATA:				
Cash, cash equivalents and short-term investments.....	\$4,255	\$2,416	\$4,477	\$ 7,774
Working capital.....	4,077	2,612	3,501	1,786
Total assets.....	4,453	4,935	8,570	11,430
Long-term obligations.....	--	356	739	2,498
Total stockholders' equity.....	4,251	2,804	3,759	327

</TABLE>

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

The following discussion should be read in conjunction with our consolidated financial statements and the related notes included elsewhere in this prospectus.

OVERVIEW

Packeteer is a leading provider of network software products that enhance mission-critical application performance over WANs and the Internet. We market and distribute our products via a worldwide network of VARs, distributors, systems integrators and OEMs. We have subsidiaries in Hong Kong, Japan and The Netherlands.

We were incorporated in January 1996. From our inception through January 1997, our operating activities related primarily to establishing a research and development organization, developing and testing prototype designs, establishing a sales and marketing organization and developing customer, vendor and manufacturing relationships. We shipped our first product, the PacketShaper 2000, in February 1997. Since then, we have focused on developing additional products and product enhancements, building our worldwide indirect sales channel and establishing our sales, marketing and customer support organizations. We began shipments of the PacketShaper 1000 and 4000 in October 1997. Since inception, we have incurred significant losses and as of June 30, 1999, had an accumulated deficit of \$21.7 million.

Our revenues consist primarily of product sales and, to a lesser extent,

licensing fees from an OEM partner. Our product revenues consist of sales of our PacketShaper family of products. We recognize product revenues once the customer issues a noncancelable purchase order and the product has been shipped to the customer. Maintenance revenue is deferred and amortized over the period of the contract. Service revenue is recognized as the services are performed. Maintenance and service revenues to date have not been material. We routinely analyze and provide, as necessary, reserves at the time of shipment for product returns and allowances. We have estimated these reserves based on our experience since we began shipping. These amounts have not been significant to date. Our ability to estimate these reserves is limited to the short history we have of shipping products. Our licensing revenues currently consist of licensing fees and may in the future include royalty payments from unit sales of OEM products that incorporate our technology. We recognize OEM license fees, which include post-contract customer support, when the software has been shipped to the customer, the fees are fixed and determinable and there is evidence of the fair value of the post-contract customer support. When sufficient evidence of fair value of post-contract customer support is not available, revenues are recognized ratably over the support period. We do not have sufficient evidence of fair value of post-contract customer support for our current OEM license arrangements, and therefore are recognizing the revenues for these arrangements over the support period.

We sell our products worldwide exclusively through VARs, distributors, systems integrators and OEMs. We use indirect channels to leverage the reach of our sales force to obtain worldwide coverage. Our sales force and marketing efforts are used to develop brand awareness and support our indirect channels.

Our cost of revenues consists primarily of the cost of finished products purchased from our two turnkey manufacturers, documentation and other overhead costs. We outsource the manufacturing of the PacketShaper 1000 and PacketShaper 2000 to PEMSTAR and the PacketShaper 4000 to Sanmina.

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Research and development expenses consist primarily of salaries and related personnel expenses, consultant fees and prototype expenses related to the design, development, testing and enhancement of the PacketShaper family of products and PacketWise software. As of June 30, 1999, all research and development costs have been expensed as incurred. We believe that continued investment in research and development is critical to attaining our strategic product and cost reduction objectives. We expect these expenses to increase significantly in the future as we continue to develop new products and enhance existing products.

Sales and marketing expenses consist primarily of salaries, commissions and related personnel expenses for those engaged in the sales, marketing and support of the product as well as related trade show, promotional and public relations expenses. We intend to pursue sales and marketing campaigns aggressively and therefore expect these expenses to increase in the future.

General and administrative expenses consist primarily of salaries and related personnel expenses for executive, accounting and administrative personnel, professional fees and other general corporate expenses. As we add personnel and incur additional costs related to the growth of our business, we expect that general and administrative expenses will also increase.

Amortization of stock-based compensation resulted from the granting of stock options to employees and consultants with exercise prices per share determined to be below the deemed fair value per share of our common stock on the dates of grant for financial reporting purposes. The stock-based compensation is being amortized to expense in accordance with FASB Interpretation No. 28 over the vesting period of the individual options, generally four years. We recorded stock-based compensation expense of \$537,000 and \$1.8 million in 1998 and for the six months ended June 30, 1999, respectively, leaving \$3.3 million to be amortized in future periods.

There was no provision for federal or California state income taxes for any period since we have incurred operating losses since inception. As of December 31, 1998, we had \$13.8 million of net loss carryforwards for federal income tax purposes and \$12.1 million of net loss carryforwards for California state income tax purposes. Utilization of the net operating loss carryforwards may be subject to annual limitations due to the ownership change limitations contained in the Internal Revenue Code of 1986 and similar state provisions. Annual limitations may result in the expiration of the net operating losses before we can utilize them. The federal net operating loss carryforwards will expire at various dates beginning in 2010 through 2018 if we do not use them. See Note 6 of Notes to Consolidated Financial Statements.

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RESULTS OF OPERATIONS

The following table sets forth certain financial data for the periods indicated as a percentage of total net revenues.

<TABLE>

<CAPTION>

	YEARS ENDED		SIX MONTHS	
	DECEMBER 31,		ENDED JUNE 30,	
	1997	1998	1998	1999
<S>	<C>	<C>	<C>	<C>
Net revenues:				
Product revenues.....	100.0%	98.3%	100.0%	89.4%
Licensing revenues.....	--	1.7	--	10.6
Total net revenues.....	100.0	100.0	100.0	100.0
Cost of revenues.....	32.3	33.0	36.7	27.2
Gross margin.....	67.7	67.0	63.3	72.8
Operating expenses:				
Research and development.....	207.5	38.4	40.0	31.4
Sales and marketing.....	227.2	122.6	118.9	79.9
General and administrative.....	66.1	24.2	25.6	16.1
Amortization of stock-based compensation.....	--	7.5	7.8	25.2
Total operating expenses.....	500.8	192.7	192.3	152.6
Net loss from operations.....	(433.1)	(125.7)	(129.0)	(79.8)
Other income (expense), net.....	14.9	4.0	4.6	(1.0)
Net loss.....	(418.2)%	(121.7)%	(124.4)%	(80.8)%

</TABLE>

Six months ended June 30, 1998 and 1999

Total net revenues. Our total net revenues increased by \$4.2 million from \$2.9 million for the six months ended June 30, 1998 to \$7.1 million for the six months ended June 30, 1999, an increase of 142.7%. This increase was due to an increased number of units sold relating to channel development and increased product acceptance, and the revenue from the ADC Telecommunications agreement. Product revenues increased by \$3.4 million from \$2.9 million for the six months ended June 30, 1998, to \$6.3 million for the six months ended June 30, 1999, an increase of 117.0%. Product revenues comprised all of total net revenues for the six months ended June 30, 1998, and 89.4% of total net revenues for the six months ended June 30, 1999. Licensing revenues were \$750,000, or 10.6% of total net revenues, for the six months ended June 30, 1999, which consisted of revenues from the ADC agreement. We recorded no licensing revenues for the six months ended June 30, 1998.

Cost of revenues. Our cost of revenues increased by \$857,000 from \$1.1 million for the six months ended June 30, 1998 to \$1.9 million for the six months ended June 30, 1999, an increase of 80.1%. The cost of revenues was 36.7% of total net revenues for the six months ended June 30, 1998 as compared to 27.2% of total net revenues for the six months ended June 30, 1999. The decrease in cost of revenues as a percentage of total net revenues was primarily due to increased economies of scale and, to a lesser extent, reductions in manufacturing costs.

Research and development. Research and development expenses increased by \$1.0 million from \$1.2 million for the six months ended June 30, 1998 to \$2.2 million for the six months ended June 30, 1999, an increase of 90.1%. The absolute dollar increase was due primarily to increases in staffing and related personnel costs of \$606,000 and, to a lesser extent, related overhead and consulting costs. Research and development expenses represented 40.0% of total net revenues for the

six months ended June 30, 1998 as compared to 31.4% of total net revenues for the six months ended June 30, 1999. The decrease in research and development expenses as a percentage of total net revenues was due to increased net revenues.

Sales and marketing. Sales and marketing expenses increased by \$2.2 million from \$3.5 million for the six months ended June 30, 1998 to \$5.7 million for the six months ended June 30, 1999, an increase of 63.0%. The absolute dollar increase was primarily due to increases in staffing, related personnel costs of \$1.3 million and, to a lesser extent, increased marketing activities. Sales and marketing expenses were 118.9% of total net revenues for the six months ended June 30, 1998 as compared to 79.9% of total net revenues for the six months ended June 30, 1999. The decrease in sales and marketing expenses as a

percentage of total net revenues was due to increased net revenues.

General and administrative. General and administrative expenses increased by \$396,000 from \$746,000 for the six months ended June 30, 1998 to \$1.1 million for the six months ended June 30, 1999, an increase of 53.1%. The absolute dollar increase was primarily due to increases in staffing and related personnel costs of \$247,000 to support our growth and, to a lesser extent, consulting and professional services costs. General and administrative expenses were 25.6% of total net revenues for the six months ended June 30, 1998 as compared to 16.1% of total net revenues for the six months ended June 30, 1999. The decrease in general and administrative expenses as a percentage of total net revenues was due to increased net revenues.

Other income (expense), net. Other income (expense), net consisted primarily of interest income and interest expense. Other income (expense), net decreased by \$209,000 from \$135,000 for the six months ended June 30, 1998 to an expense of \$74,000 for the six months ended June 30, 1999, a decrease of 154.8%. Interest income earned increased by \$39,000 from \$159,000 for the six months ended June 30, 1998 to \$198,000 for the six months ended June 30, 1999, an increase of 24.5%. This increase was due to increased interest earned on higher average levels of cash. Interest expense increased by \$247,000 from \$23,000 for the six months ended June 30, 1998 to \$270,000 for the six months ended June 30, 1999. This increase was due to increased interest expense related to our financing activities.

Years ended December 31, 1997 and 1998

Total net revenues. Our total net revenues increased by \$5.8 million from \$1.4 million in 1997 to \$7.2 million in 1998, an increase of 411.7%. Product revenues increased by \$5.7 million from \$1.4 million in 1997 to \$7.1 million in 1998, an increase of 402.8%. This increase was due to increased unit sales as a result of the addition of indirect channel partners and the sales of the PacketShaper 1000 and 4000 for the full year in 1998, as compared to 1997, in which those models were not introduced until the fourth quarter. Licensing revenues were \$125,000 in 1998, which consisted of revenues from the OEM licensing agreement with ADC Telecommunications that we signed in December 1998. We recorded no licensing revenues in 1997.

Cost of revenues. Our cost of revenues increased by \$1.9 million from \$457,000 in 1997 to \$2.4 million in 1998, an increase of 422.1%. The increase in cost of revenues in absolute dollars was due to an increased number of units sold. The cost of revenues was 32.3% of total net revenues in 1997 and 33.0% of total net revenues in 1998.

Research and development. Research and development expenses decreased by \$153,000 from \$3.0 million for 1997 to \$2.8 million for 1998, a decrease of 5.2%. Decreases in consulting and other nonpersonnel-related costs were offset by \$550,000 in personnel related expenses tied to higher headcount. Research and development expenses represented 207.5% of total net revenues in 1997 as compared to 38.4% of total net revenues in 1998. The decrease in research and development expenses

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as a percentage of total net revenues was due to relatively unchanged expenses coupled with increased net revenues.

Sales and marketing. Sales and marketing expenses increased by \$5.7 million from \$3.2 million in 1997 to \$8.9 million in 1998, an increase of 176.2%. This increase was primarily due to increased headcount costs and related commissions of approximately \$2.3 million, marketing communication programs of approximately \$1.0 million and, to a lesser extent, consulting and travel expenses. Sales and marketing expenses represented 227.2% of total net revenues in 1997 as compared to 122.6% of total net revenues in 1998. This decrease in sales and marketing expenses as a percentage of total net revenues was due to increased sales.

General and administrative. General and administrative expenses increased by \$816,000 from \$934,000 for 1997 to \$1.8 million in 1998, an increase of 87.4%. This absolute dollar increase was primarily due to increases in staffing and related personnel costs of approximately \$400,000 and, to a lesser extent, miscellaneous other costs. General and administrative expenses represented 66.1% of total net revenues in 1997 as compared to 24.2% of total net revenues in 1998. This decrease in general and administrative expenses as a percentage of total net revenues was due to increased sales.

Other income (expense), net. Other income (expense), net increased by \$78,000 from \$211,000 in 1997 to \$289,000 in 1998, an increase of 37.0%. This absolute dollar increase was due to increased interest earned on higher average levels of cash. Interest income increased by \$129,000 from \$238,000 in 1997 to \$367,000 in 1998, an increase of 54.2%. This increase was due to increased interest earned on higher average levels of cash. Interest expense increased by \$51,000 from \$27,000 in 1997 to \$78,000 in 1998, an increase of 188.9%. This increase was due to increased financing costs.

During the period from January 25, 1996, the date of inception, through December 31, 1996, our operating activities related primarily to development of the PacketShaper product, recruitment and training of personnel, raising capital and development of sales channels. We recognized no revenue and incurred operating expenses of \$1.3 million during the period. Accordingly, we believe a comparison of operating results for that period with the operating results in 1997 is not meaningful and have therefore omitted that discussion.

QUARTERLY RESULTS OF OPERATIONS

The following table sets forth certain unaudited consolidated statements of operations data in dollars and as a percentage of total net revenues for our ten most recent quarters. In management's opinion, this unaudited information has been prepared on the same basis as the annual consolidated financial statements and includes all adjustments necessary to fairly present the unaudited quarterly results. These adjustments consist only of normal recurring adjustments. This information should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this prospectus. The operating results for any quarter are not necessarily indicative of results for any future period.

<TABLE>
<CAPTION>

CONSOLIDATED STATEMENTS OF OPERATIONS DATA:	THREE MONTHS ENDED							
	MARCH 31, 1997	JUNE 30, 1997	SEPT. 30, 1997	DEC. 31, 1997	MARCH 31, 1998	JUNE 30, 1998	SEPT. 30, 1998	DEC. 31, 1998
	(IN THOUSANDS)							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net revenues:								
Product revenues.....	\$ 43	\$ 153	\$ 424	\$ 793	\$ 1,246	\$ 1,671	\$ 1,895	\$ 2,293
Licensing revenues.....	--	--	--	--	--	--	--	125
Total net revenues....	43	153	424	793	1,246	1,671	1,895	2,418
Cost of revenues.....	10	60	146	241	476	594	605	711
Gross profit.....	33	93	278	552	770	1,077	1,290	1,707
Operating expenses:								
Research and development.....	489	755	827	861	566	602	676	935
Sales and marketing.....	339	622	614	1,635	1,551	1,918	2,306	3,091
General and administrative.....	174	202	219	339	292	454	453	551
Amortization of stock-based compensation.....	--	--	--	--	--	228	172	137
Total operating expenses.....	1,002	1,579	1,660	2,835	2,409	3,202	3,607	4,714
Net loss from operations....	(969)	(1,486)	(1,382)	(2,283)	(1,639)	(2,125)	(2,317)	(3,007)
Other income (expense), net.....	58	27	74	52	34	101	101	53
Net loss.....	\$ (911)	\$ (1,459)	\$ (1,308)	\$ (2,231)	\$ (1,605)	\$ (2,024)	\$ (2,216)	\$ (2,954)

<CAPTION>

CONSOLIDATED STATEMENTS OF OPERATIONS DATA:	THREE MONTHS ENDED	
	MARCH 31, 1999	JUNE 30, 1999
	(IN THOUSANDS)	
<S>	<C>	<C>
Net revenues:		
Product revenues.....	\$ 2,724	\$ 3,606
Licensing revenues.....	375	375
Total net revenues....	3,099	3,981
Cost of revenues.....	854	1,073
Gross profit.....	2,245	2,908
Operating expenses:		
Research and development.....	955	1,265
Sales and marketing.....	2,429	3,227

General and administrative.....	533	609
Amortization of stock-based compensation.....	865	919
	-----	-----
Total operating expenses.....	4,782	6,020
	-----	-----
Net loss from operations....	(2,537)	(3,112)
	-----	-----
Other income (expense), net.....	14	(88)
	-----	-----
Net loss.....	\$ (2,523)	\$ (3,200)
	=====	=====

</TABLE>
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AS A PERCENTAGE OF NET REVENUES

	MARCH 31, 1997	JUNE 30, 1997	SEPT. 30, 1997	DEC. 31, 1997	MARCH 31, 1998	JUNE 30, 1998
	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net revenues:						
Product revenues.....	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Licensing revenues.....	--	--	--	--	--	--
	-----	-----	-----	-----	-----	-----
Total net revenues...	100.0	100.0	100.0	100.0	100.0	100.0
Cost of revenues.....	23.3	39.2	34.4	30.4	38.2	35.5
	-----	-----	-----	-----	-----	-----
Gross margin.....	76.7	60.8	65.6	69.6	61.8	64.5
Operating expenses:						
Research and development.....	1,137.2	493.5	195.0	108.6	45.4	36.0
Sales and marketing.....	788.4	406.5	144.8	206.2	124.5	114.8
General and administrative.....	404.6	132.0	51.7	42.7	23.4	27.2
Amortization of stock-based compensation.....	--	--	--	--	--	13.6
	-----	-----	-----	-----	-----	-----
Total operating expenses.....	2,330.2	1,032.0	391.5	357.5	193.3	191.6
	-----	-----	-----	-----	-----	-----
Net loss from operations...	(2,253.5)	(971.2)	(325.9)	(287.9)	(131.5)	(127.1)
	-----	-----	-----	-----	-----	-----
Other income (expense), net.....	134.9	17.6	17.4	6.6	2.7	6.0
	-----	-----	-----	-----	-----	-----
Net loss.....	(2,118.6)%	(953.6)%	(308.5)%	(281.3)%	(128.8)%	(121.1)%
	=====	=====	=====	=====	=====	=====

<CAPTION>

AS A PERCENTAGE OF NET REVENUES

	SEPT. 30, 1998	DEC. 31, 1998	MARCH 31, 1999	JUNE 30, 1999
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Net revenues:				
Product revenues.....	100.0%	94.8%	87.9%	90.6%
Licensing revenues.....	--	5.2	12.1	9.4
	-----	-----	-----	-----
Total net revenues...	100.0	100.0	100.0	100.0
Cost of revenues.....	31.9	29.4	27.6	27.0
	-----	-----	-----	-----
Gross margin.....	68.1	70.6	72.4	73.0
Operating expenses:				
Research and development.....	35.7	38.7	30.8	31.8
Sales and marketing.....	121.7	127.8	78.4	81.0
General and administrative.....	23.9	22.8	17.2	15.3
Amortization of stock-based compensation.....	9.0	5.7	27.9	23.1
	-----	-----	-----	-----
Total operating expenses.....	190.3	195.0	154.3	151.2
	-----	-----	-----	-----
Net loss from operations...	(122.2)	(124.4)	(81.9)	(78.2)
	-----	-----	-----	-----

Other income (expense), net.....	5.3	2.2	0.5	(2.2)
	-----	-----	-----	-----
Net loss.....	(116.9)%	(122.2)%	(81.4)%	(80.4)%
	=====	=====	=====	=====

</TABLE>

Total net revenues. Total net revenues have increased each quarter since the three months ended March 31, 1997, due to an increased number of units sold resulting from the development of indirect sales channels, marketing the PacketShaper and PacketWise brands and development of new products and feature enhancements to existing products. Our sales strategy is to continue to develop indirect sales channels, to increase marketing of the PacketShaper and PacketWise brands and to develop new products and feature enhancements to existing products.

Cost of revenues. Our cost of revenues has increased in absolute dollars each quarter since the three months ended March 31, 1997, primarily due to increased sales. Fluctuations in the cost of revenues as a percentage of total net revenues have resulted from variations in the mix of products sold and variations in the channel mix. During the first three quarters of 1997, our units shipped were manufactured by small volume specialty house manufacturers rather than by our current high-volume contract manufacturers. Our gross margin increased in the three months ended December 31, 1997 consistent with our launch of the PacketShaper 4000, which is our highest margin product. Gross margin increased from 68.1% for the three months ended September 30, 1998 to 70.6% for the three months ended December 31, 1998 to 72.4% for the three months ended March 31, 1999 to 73.0% for the three months ended June 30, 1999. The increases, beginning in the three months ended December 31, 1998, were due to the recognition of licensing revenues from our OEM relationship with ADC Telecommunications.

Research and development. Our research and development expenses have fluctuated in absolute dollars since the three months ended March 31, 1997. Research and development expenses increased in the three months ended June 30, 1997 and September 30, 1997 due to increased prototype expenses and consulting fees related to the launch of the PacketShaper 1000 and 4000 models. Research and development expenses increased in the three months ended December 31, 1997 primarily due to increased personnel expenses and costs associated with a facilities move. Research and development expenses increased in the three months ended December 31, 1998 due to the hiring of additional engineers and increasing consulting fees related to new product development initiatives. Research and development expenses have generally decreased as a percentage of total net revenues, due to increased net revenues.

Sales and marketing. Our sales and marketing expenses have generally increased in absolute dollars since the three months ended March 31, 1997, primarily due to increased salaries, commissions and related personnel expenses. Marketing expenses generally increased in the second and fourth quarters of 1997 and 1998 due to increased expenditures related to trade shows. Sales and marketing expenses increased for the three months ended December 31, 1997, due to increased expenditures related to the launch of the PacketShaper 1000 and 4000 models. Sales and marketing expenses have generally decreased as a percentage of total net revenues, due to increased net revenues.

General and administrative. General and administrative expenses have generally increased in absolute dollars since the three months ended March 31, 1997, primarily due to the addition of finance, information technology and administrative personnel. General and administrative expenses increased for the three months ended December 31, 1997, primarily due to the costs associated with a facilities move. General and administrative expenses have generally decreased as a percentage of total net revenues, primarily due to increased net revenues.

LIQUIDITY AND CAPITAL RESOURCES

We have financed our operations primarily from the sale of preferred stock and other financing activities such as bank credit against accounts receivable, subordinated debt offerings and capital equipment leasing. As of June 30, 1999, we had cash, cash equivalents and short-term investments of \$7.7 million which included amounts borrowed under our credit facilities.

We have a lease to finance the acquisition of computer software and hardware, and furniture. The lease expires on June 30, 1999. We entered into a revolving credit facility against accounts receivable in January 1999 which provides borrowings of up to \$3.0 million. Borrowings under this credit facility bear interest at the prime rate, which was 7.75% as of June 30, 1999, and are due upon demand and are secured by substantially all of our assets. As of June

30, 1999, we had an outstanding balance of \$1.5 million. The agreement expires on January 10, 2000. We also entered into subordinated loan and security agreements in January and May 1999. Borrowings under these loans were \$2.5 million individually, bear interest at a rate of 12.25% and 12.76% per annum, respectively, and are secured by all of our tangible assets.

Net cash used by operating activities was \$3.2 million for the six months ended June 30, 1999. Net cash used by operating activities during the six months ended June 30, 1999 was primarily due to net losses and decreases in deferred revenues and accounts payable, partially offset by a decrease in accounts receivable. Net cash used by operating activities was \$7.0 million in 1998 and \$6.1 million in 1997. During 1997 and 1998, net cash used by operating activities was primarily due to net losses and increases in accounts receivable, partially offset by increases in deferred revenue and accrued expenses.

Net cash used in investing activities was \$1.6 million for the six months ended June 30, 1999 as a result of net purchases of short-term investments and property and equipment. Net cash used by investing activities was \$605,000 in 1997 and \$2.6 million in 1998. Cash was used during these periods to acquire property and equipment and purchase investments. There were no short-term investments at December 31, 1997. We currently do not have significant capital spending or short-term purchase commitments, but expect to continue to engage in capital spending in the ordinary course of business. During 1998, we expensed as incurred all software development costs.

Net cash provided by financing activities was \$6.8 million for the six months ended June 30, 1999. The net increase was primarily due to subordinated debt offerings that resulted in proceeds of \$5.0 million and a revolving credit facility against accounts receivables that netted \$1.5 million. Net cash provided by financing activities in 1997 was \$4.9 million and \$9.7 million in 1998. Net cash used by financing activities in 1997 and 1998 primarily represented repayment of indebtedness. Net cash provided by financing activities during 1997 and 1998 was primarily due to the issuance of preferred stock.

We expect to experience growth in our working capital needs for the foreseeable future in order to execute our business plan. We anticipate that operating activities, as well as planned capital expenditures, will constitute a material use of our cash resources. In addition, we may utilize cash resources to fund acquisitions or investments in complementary businesses, technologies or products. We believe that the net proceeds from this offering, together with our current cash and cash equivalents, cash generated from operations and available borrowings under our line of credit, will be sufficient to meet our anticipated cash requirements for working capital and capital expenditures for at least the next 12 months.

DISCLOSURES ABOUT MARKET RISK

Our exposure to market risk for changes in interest rates relates primarily to our cash equivalents and short-term investments. The short-term investments are available for sale. We do not use derivative financial instruments in our investment portfolio. As stated in our investment policy, we are averse to principal loss and ensure the safety and preservation of our invested funds by limiting default and market risks. We mitigate default risk by investing in only investment-grade securities. The portfolio includes marketable securities with active secondary or resale markets to ensure portfolio liquidity. All short-term investments have a fixed interest rate and are carried at market value, which approximates cost.

As of December 31, 1998, we had cash equivalents and short-term investments of \$4.3 million with a weighted average interest rate of 5.7%. These investments mature in 1999.

A hypothetical increase or decrease in market interest rates of 10% from the December 31, 1998 rates would cause the fair value of these investments to change by an insignificant amount.

We invoice all of our foreign customers from the United States in U.S. dollars and all revenues are collected in U.S. dollars. In addition, we do not have significant cash balances denominated in foreign currencies. As a result, we do not believe that we have significant market risks associated with foreign currencies or related to sales and collections.

YEAR 2000 READINESS DISCLOSURE

Some computers, software, and other equipment include computer code in which calendar year data is abbreviated to only two digits. As a result of this design decision, some of these systems could fail to operate or fail to produce correct results if "00" is interpreted to mean 1900, rather than 2000. These problems are widely expected to increase in frequency and severity as the year 2000 approaches, and are commonly referred to as the "year 2000 problem."

Assessment. The year 2000 problem affects the computers, software and other equipment that we use, operate or maintain for our operations. Accordingly, we have organized a project team responsible for monitoring the assessment and remediation status of our year 2000 projects. This project team is currently assessing the potential effects and costs of remediating the year 2000 problem for our internal systems. To date, we have not obtained verification or validation from any independent third parties of our processes to assess and correct any of our year 2000 problems or the costs associated with these activities.

Internal infrastructure. We believe that we have identified mission-critical computers, servers and applications, and our business systems and related equipment used in connection with our internal operations that will need to be evaluated to determine if they must be modified, upgraded or replaced to minimize the possibility of a material disruption to our business. Upon completion of such evaluation, which we expect to occur by July 1999, we expect to commence the process of modifying, upgrading and replacing major systems that have been assessed as adversely affected, and expect to complete this process before the occurrence of any material disruption of our business.

Systems other than information technology systems. In addition to computers and related systems, the operation of office and facilities equipment, such as fax machines, telephone switches, security systems and other common devices may be affected by the year 2000 problem. We are currently assessing the potential effects and costs of remediating the year 2000 problem on our office equipment and our facilities and expect this process to be completed by the end of the calendar year 1999.

Products. We have tested and intend to continue to test all of our products for year 2000 problems. To date, we have been able to correct any problems with our products relating to the year 2000 problem. We currently do not expect any significant year 2000 problems to arise with our products. We have generally represented to our indirect channel partners and end users that our products are year 2000 compliant, and if that turns out to be untrue, these parties may make claims against us which may result in litigation or contract terminations.

We estimate the total cost to us of completing any required modifications, upgrades or replacements of our internal systems will not exceed \$100,000, almost all of which we believe will be incurred in 1999. Based on the activities described above, we do not believe that the year 2000 problem will have a material adverse effect on our business or operating results. In addition, we have not deferred any material information technology projects as a result of our year 2000 problem activities.

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Suppliers. We are in the process of assessing the readiness of our sole-sourced component suppliers. We expect that we will be able to resolve any significant year 2000 problems with sole-sourced component suppliers; however, we cannot assure you that these suppliers will resolve any or all year 2000 problems before the occurrence of a material disruption to the operation of our business. Any failure of these third parties to timely resolve year 2000 problems with their systems could harm our business.

Most likely consequences of year 2000 problems. We expect to identify and resolve all year 2000 problems that could adversely affect our business operations. However, we believe that it is not possible to determine with complete certainty that all year 2000 problems affecting us have been identified or corrected. The number of devices that could be affected and the interactions among these devices are simply too numerous. In addition, no one can accurately predict how many year 2000 problem-related failures will occur or the severity, duration or financial consequences of these perhaps inevitable failures. As a result, we believe that the following consequences are possible:

- a significant number of operational inconveniences and inefficiencies for us, our contract manufacturers and our indirect channel partners and end users that will divert management's time and attention and financial and human resources from ordinary business activities;
- business disputes and claims for pricing adjustments or penalties due to year 2000 problems by our indirect channel partners and end users; and
- a number of serious business disputes alleging that we failed to comply with the terms of contracts or industry standards of performance, some of which could result in litigation or contract termination.

Contingency plans. We are currently developing contingency plans to be implemented if our efforts to identify and correct year 2000 problems affecting our internal systems are not effective. We expect to complete our contingency plans by the end of September 1999. Depending on the systems affected, these plans could include:

- accelerated replacement of affected equipment or software;

- short to medium-term use of backup equipment and software;
- increased work hours for our personnel; and
- use of contract personnel to correct on an accelerated schedule any year 2000 problems that arise or to provide manual workarounds for information systems.

Our implementation of any of these contingency plans could harm our business.

The discussion of our efforts and expectations relating to year 2000 compliance are forward-looking statements. Our ability to achieve year 2000 compliance and the level of incremental costs associated with compliance could be adversely affected by, among other things, availability and cost of programming and testing resources, third-party suppliers' ability to modify proprietary software, and unanticipated problems identified in the ongoing compliance review.

Disclaimer. The discussion of our efforts and expectations relating to year 2000 compliance are forward-looking statements. Our ability to achieve year 2000 compliance and the level of incremental associated cost, could be adversely affected by, among other things, availability and cost of programming and testing resources, third-party suppliers' ability to modify proprietary software and unanticipated problems identified in the ongoing compliance review.

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RECENTLY ISSUED ACCOUNTING STANDARD

In June 1998, the FASB issued Statement of Financial Accounting Standards, or SFAS, No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement requires companies to record derivatives on the balance sheet as assets or liabilities, measured at fair value. Gains or losses resulting from changes in the values of those derivatives would be accounted for depending on the use of the derivative and whether it qualifies for hedge accounting. We will adopt SFAS No. 133 for 2000. We believe that this statement will not have a significant impact on our business.

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BUSINESS

OVERVIEW

Packeteer is a provider of network software products that enhance mission-critical application performance over enterprise WANs and the Internet. These application-adaptive bandwidth management solutions give businesses and service providers per-application control of bandwidth at congested WAN access links. Our bandwidth management solutions are application-adaptive because they allow network managers to identify different applications at the WAN access link and to control the bandwidth allocated to each of these applications, enabling them to protect the performance of their most critical applications.

We deliver comprehensive application-adaptive bandwidth management by discovering and classifying network traffic, analyzing application and network performance, controlling traffic flows and then reporting on performance. These four steps are accomplished through our PacketWise software which is embedded in our PacketShaper family of products and in the networking products of our technology partners. Our PacketShaper product family consists of hardware platforms based on Intel compatible microprocessor technologies. Installing PacketShaper imposes no changes to the existing network's equipment, configuration or software.

We have shipped over 2,800 PacketShapers and have established a network of over 100 VARs, distributors and systems integrators that sell our solutions in over 50 countries. In addition, we have business partners who license our PacketWise software for integration into their networking products and other partners, such as Lucent Technologies, who resell our products under their private labels.

INDUSTRY BACKGROUND

The Emergence of Internet Computing

Today, both the Internet and its underlying protocol TCP/IP, have grown to positions of prominence in enterprise networking. Protocols are predefined mechanisms for computers to communicate over networks. From its origins as a network connecting academic and government institutions, the Internet has evolved into an interactive communications and commerce platform supporting

businesses' daily operations. Originally intended to accommodate non-interactive traffic such as file transfers and e-mail, the Internet and TCP/IP were designed with the basic goals of connectivity, versatility and bandwidth exploitation. With the evolution towards Internet computing, TCP/IP has become the communications fabric, or as is commonly referred to in the technology industry, the underlying protocol, of mission-critical enterprise networks. The Internet has enabled a new generation of interactive applications to deliver core business functions, including e-commerce, data access and information exchange, to a broad range of users. Leveraging the fundamental attributes of the Internet and TCP/IP, businesses, consumers and suppliers have become better connected. This rapid development of a vast connected economy has given rise to a new innovative business model, the Internet computing model.

The rapid emergence of Internet computing has had a significant effect on today's enterprise networks and has created new challenges for information technology managers. As more interactive business applications are developed using web-enabled versions of enterprise software platforms, such as SAP R/3, Oracle, PeopleSoft and Baan, the amount of network data is increasing dramatically. E-commerce extends the confines of the enterprise network across the Internet, making application performance difficult to ensure. Enterprise users access graphics-intensive web sites, download large files, view streaming media presentations, monitor news and stock quotes and access other non-critical information over the Internet. The resulting traffic deluge impacts network resources that serve point-of-sale, order processing, enterprise resource planning, supply-chain management and other vital business functions.

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Internet computing relies on TCP/IP as the underlying protocol to support distributed enterprise applications and the delivery of electronic services. The Internet Protocol, or IP, provides for routing of packets across networks that utilize TCP/IP as their underlying protocol. The Transmission Control Protocol, or TCP, provides flow control for, and reliable ordered delivery of, Internet Protocol packets. Unlike early non-interactive applications that did not require real-time responsiveness, today's enterprise and e-commerce applications depend on timely access to data and real-time transaction responses to ensure productivity and a high quality of experience for end users. The shift toward real-time, delay-sensitive data is accelerating as corporations begin to converge database transactions and multimedia traffic onto their enterprise networks. TCP/IP is unable to differentiate between traffic types and is designed so that each transmission attempts to consume all available bandwidth. These characteristics, which make TCP/IP suitable for non-interactive traffic, threaten the performance of today's mission-critical applications.

The Traffic Bottleneck at the WAN Access Link

In recent years, the adoption of Fast Ethernet and Gigabit Ethernet technologies has reduced network congestion on the LAN. Simultaneously, the deployment of fiber infrastructure in the service provider backbone has also reduced bandwidth contention in that portion of the network. However, the bridge between the two, the WAN access link, has remained the slow, weak link in the chain, forming a bandwidth bottleneck. WAN access link capacity is often constrained, expensive and difficult to upgrade. When faced with bandwidth contention at the bottleneck, TCP/IP provides neither a means to give preferential treatment to select applications nor a good mechanism to effectively control data flows because TCP flow control is handled only by end systems. TCP/IP reacts to network congestion by discarding data packets and sporadically reducing packet transmissions from the host computer. In enterprise networks that are overwhelmed by increasing amounts of both non-critical and mission-critical traffic, unmanaged congestion at the WAN access link undermines application performance and can result in impaired productivity and lost revenues.

LOGO

Today's enterprise networks require solutions that ensure mission-critical application performance, increase network efficiency, and enable the convergence of data, voice and video traffic. Enterprises are seeking to align their networks with their business priorities by making them adaptive to the unique requirements of the growing mix of mission-critical applications. At the same time, they seek to leverage investments in application software and proactively control recurring network costs by optimizing bandwidth utilization.

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Many existing and newly emerging telecommunications service providers are also seeking to address the needs of enterprises that are adopting Internet computing. Service providers have traditionally functioned as WAN bandwidth suppliers, leasing data lines and selling Internet access to businesses and consumers. In the face of heightened competition, service providers are seeking to differentiate themselves by offering tiered services in order to attract and retain customers and increase profitability. These offerings include web

hosting, application outsourcing and managed network services. To deliver these services, service providers must be able to ensure network and application performance and better manage and allocate network resources.

Limitations of Existing Approaches

Businesses and service providers currently employ several approaches in an attempt to alleviate network congestion at the WAN access link. These approaches include the following:

Adding bandwidth and infrastructure to over-provision the network. This approach requires expensive upgrades to WAN access links and associated network equipment. Moreover, incremental increases in bandwidth only temporarily alleviate network congestion, leaving the following problems unresolved:

- Over-provisioning results in under-utilization of the network during non-peak periods;
- Increases in bandwidth tend to be consumed quickly by latent demand within LAN and backbone infrastructure;
- Deployment costs and increases in recurring service charges can be prohibitively expensive, especially for networks with many remote sites and for international networks; and
- There is no application performance visibility to enable effective capacity planning.

Implementing queuing-based features. Queuing technologies provide some degree of prioritization and are frequently incorporated in routers, which are devices that forward data packets from one LAN or WAN to another. These implementations engage only after queues form, and attempt to provide quality of service, or QoS, by reordering packets and then discarding packets when the queues overflow. Router-based approaches typically identify and prioritize traffic based on rudimentary characteristics such as port number, a simplistic mechanism to coordinate the transmission of application data, IP address or protocol type. While these approaches can alleviate some of the bandwidth contention problems, they are inadequate to handle an increasingly complex mix of interactive and real-time mission-critical applications. These limitations include:

- Queuing-based approaches are reactive in nature and can only address congestion after the fact, rather than preventing it from occurring;
- Congested queues result in packet loss, retransmissions and delays that waste bandwidth and undermine application response times;
- Limited traffic classification capabilities inadequately distinguish between different types of applications, resulting in sub-optimal prioritization of traffic;
- Queuing does not directly control end-to-end application performance; and
- Queuing-based approaches do not control inbound traffic flowing from the WAN to the LAN.

Installing network-management tools. Several vendors provide software that analyzes and monitors network traffic. While these products enable network administrators to determine how

bandwidth is being utilized, thereby identifying where bandwidth management is required, they do not comprise a complete solution for the following reasons:

- These products only monitor and report application performance and bandwidth utilization, offering no means of fixing or resolving performance problems; and
- Products that detect problems once they occur are reactive and don't proactively prevent similar problems in the future.

The Bandwidth Management Opportunity

As Internet computing is more widely adopted, both businesses and service providers are seeking ways to cost-effectively manage bandwidth, ensure application performance and increase network efficiency. As mission-critical applications compete with bandwidth-hungry non-critical traffic for limited network resources, enterprises require a solution that not only monitors and reports on application performance problems, but also provides the means to fix such problems. As the complexity of their network infrastructures increases, enterprises seek solutions that integrate easily into the existing network and are cost-effective to deploy and maintain. In response to growing competition,

service providers are looking to create new revenue streams by offering differentiated network and application-based services that meet the needs of enterprise customers. Whether the solution is implemented by the enterprise or purchased from a service provider, effectively managing the performance of mission-critical applications is essential to businesses relying on Internet computing.

THE PACKETEER SOLUTION

Packeteer provides application-adaptive bandwidth management solutions that enhance the performance of mission-critical applications over enterprise WANs and the Internet. Addressing the needs of both enterprises and service providers, our products incorporate innovative technology for discovery, classification, analysis, control and management of disparate traffic flows on congestion-prone WAN access links.

PacketWise software is at the core of our bandwidth management solutions and is embedded in Packeteer-manufactured products and OEM-manufactured products. Our PacketShaper family of products consists of hardware platforms based on Intel compatible microprocessor technologies that run various configurations of our PacketWise software. Our PacketShaper products provide customers with a solution designed to be deployed easily and cost-effectively without additional investment in or impact to network equipment, software or infrastructure. In addition, by working with OEM partners to embed PacketWise technology into their networking products, we are able to address new market opportunities that are outside of the scope of our PacketShaper family of products.

As the enterprise network increasingly extends to include the Internet, network managers are challenged with managing the dynamic growth in critical and non-critical traffic. Each particular application and type of traffic -- such as transactions, file transfers, voice or streaming multimedia -- requires a tailored management strategy to ensure optimal performance. Our solutions are based on a comprehensive four-step methodology that provides the elements for effective bandwidth management:

- I. Discover and Classify Traffic. Currently, PacketShaper automatically detects and identifies over 150 types of traffic. Network managers can refine traffic categories based on application, protocol, web page, addresses, users and host names. In addition, managers can define criteria to recognize proprietary applications so that PacketShaper automatically classifies the associated traffic. Sophisticated traffic classification enables network managers to understand network congestion and to precisely target bandwidth-allocation policies.

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- II. Analyze Performance. PacketShaper provides detailed analysis and evaluation of network resources and application performance. PacketShaper tracks traffic levels and trends, measures response times and calculates network efficiency. Network managers can analyze all traffic traversing a particular WAN access link or can focus on an individual application, client, server or traffic type.
- III. Control Traffic. PacketShaper allows network managers to control application performance and network resources by defining precise bandwidth-allocation policies. Policies can protect important traffic, cap bandwidth-intensive traffic and guarantee service levels. Network managers can tailor management strategies and bandwidth allocation to suit the requirements of particular applications or traffic, such as voice, video or data. PacketShaper paces both inbound and outbound traffic over the WAN access link to optimize performance and control end-to-end QoS. Our control technology can also prohibit specific applications, such as web-based entertainment or leisure applications, from utilizing any enterprise resources.
- IV. Report Performance. PacketShaper provides reports describing current and historical network performance. Comprehensive reports, graphs and tables enable network managers to refine bandwidth management policies, evaluate efficiency and plan capacity. PacketShaper automatically measures per-transaction response times for each application. Managers can set, enforce and monitor service-level agreements, which quantify desired QoS for a particular application or customer.

Our dynamic four-step approach to application-adaptive bandwidth management enables businesses and service providers to realize the following key benefits:

- Gain Network Performance Visibility and Insight. PacketShaper provides valuable historical and real-time information about application performance and network utilization through an easy-to-use browser interface. Network managers gain a better understanding of the nature of traffic running on their networks and the problems and inefficiencies associated with that traffic.

- Ensure Bandwidth to Mission-Critical Applications. Policy-based bandwidth allocation protects bandwidth for mission-critical applications such as SAP R/3, Oracle and Baan, preventing disruptions from bandwidth-hungry but less urgent applications such as file transfers or casual web browsing.
- Simplify Deployment. PacketShaper installs easily and automatically starts to discover, classify and analyze network traffic and suggests policies to optimize performance. It complements the existing network infrastructure, requires no router reconfiguration or desktop changes and is designed not to disrupt network connectivity in the event of software or hardware failure.
- Enable Interactive Services. VoIP, real-time video and other streaming media require guaranteed bandwidth in order to achieve minimum quality requirements. By using PacketShaper to set minimum bandwidth guarantees and explicit delay bounds, network managers and service providers can deliver smooth and predictable performance of these delay-sensitive multimedia services.
- Increase Network Efficiency. PacketShaper improves network efficiency and helps delay expensive capacity upgrades by managing non-critical traffic to reduce retransmission overhead and smooth the variability in bandwidth utilization.
- Facilitate E-Commerce. PacketShaper can reserve bandwidth for individual web site customers on a shared WAN connection. PacketShaper can also optimize response time for certain web pages, such as product order and home pages, and redirect users with slower connections to less data-intensive web pages.

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STRATEGY

Our objective is to be the leading provider of application-adaptive bandwidth management solutions. Key elements of our strategy include:

Focus on Bandwidth Management Needs of Enterprises. We are focused on providing high performance, easy-to-use and cost-effective bandwidth management solutions to enterprises whose businesses are based on Internet computing. For these businesses, managing mission-critical application performance and optimizing the value of the network will continue to be competitive requirements. As the Internet proliferates and new Internet-based applications and services emerge, we believe businesses will continue to adopt Internet computing business models at a rapid rate and that effective bandwidth management will become an increasingly important requirement for maintaining an efficient enterprise network. We believe we have established a differentiated market position based on our comprehensive solution that provides for effective bandwidth management, early market leadership and brand awareness. We intend to continue to direct our development, sales and marketing efforts toward addressing the bandwidth management needs of the Internet computing market.

Expand Presence in Telecommunications Service Provider Market. We are actively pursuing opportunities in the service provider market and currently have numerous service provider customers, including: BIGLOBE, a wholly owned subsidiary of NEC Corporation; CLEAR Communications Ltd.; NTT Corporation; SONERA Technologies; Telefonica de Espana; and Verio Inc. We believe service providers are under increasing pressure to attract new subscribers, reduce subscriber turnover, improve operating margins and develop new revenue streams. Specifically, service providers seek to differentiate themselves through value-added service offerings, such as web hosting, application outsourcing and application service-level management. We believe our PacketShaper and PacketWise solutions enable service providers to deliver these higher value services by enhancing network and application performance and better managing and allocating network resources. We intend to increase demand for our solutions with service providers by leveraging our strong enterprise presence.

Continue to Build Indirect Distribution Channels. We believe we have built a significant worldwide distribution channel. We currently have over 100 VARs, distributors, systems integrators and OEMs, that sell our products in over 50 countries. These relationships include: Syncordia Solutions, a division of British Telecommunications PLC; Datacraft Asia Ltd.; Fujitsu Limited; Macnica; Nissho Electronics Corporation; Persetel PQ Client Computing, a subsidiary of Comparex Holdings; Unisys Corp.; and Williams Communications Solutions, LLC. Recently, we entered into an agreement with Alcatel Business Systems to distribute our products globally. We intend to continue to develop and support new VAR and distribution relationships, as well as to establish additional indirect channels with service providers, systems integrators and OEMs. We believe this strategy will enable us to increase the worldwide deployment of our products.

Develop OEM Relationships to Broaden PacketWise Deployment. We have designed our PacketWise software in distinct modules to integrate with network hardware platforms offered by other vendors. This integration brings Packeteer's unique capabilities into markets where QoS is required but is beyond the scope of the PacketShaper offering. We currently have two software OEM relationships. ADC Telecommunications has licensed portions of our PacketWise software to incorporate in its networking products. Adtran has licensed PacketWise technology to enable classification and partitioning in managed network services products. In addition, Lucent Technologies, Memorex Telex and NEC sell PacketShaper with PacketWise software under their own labels. These private label relationships allow our products to reach consumers and markets that we would have difficulty reaching alone. With Memorex Telex and NEC we have partners in Asia that provide local account management. Lucent Technologies provides us a worldwide partnership with a

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leader in the convergence of data and voice. We intend to pursue additional OEM relationships in order to drive the proliferation of our technology in enterprise and service provider networks.

Extend Bandwidth Management Technology Leadership. Our technological leadership is based on our sophisticated traffic classification, flexible policy-setting capabilities, precise rate control expertise and ability to measure response time and network performance. We intend to invest our research and development resources to increase performance by handling higher speed WAN connections, functionality by identifying and managing additional applications or traffic types, and modularity by taking individual components of Packetwise together or on a stand-alone basis of our existing bandwidth management solutions and to develop new leading-edge technologies for emerging markets. This includes extending our bandwidth management solutions to incorporate in-depth application-management techniques that will improve performance over the Internet and reduce bandwidth requirements. We plan to extend our current portfolio by offering PacketWise-defined solutions that target the specific needs of three primary market opportunities: application service-level management, enterprise bandwidth management and service provider bandwidth management.

PRODUCTS

We provide application-adaptive bandwidth management solutions to address the needs of both businesses and service providers. Our products incorporate innovative technology for discovery, classification, analysis, control and management of disparate traffic flows in congestion-prone TCP/IP WAN access links. Our PacketWise software is at the core of our bandwidth management solutions and is embedded in our PacketShaper family of products. PacketShaper products consist of Intel compatible microprocessor technology running various configurations of PacketWise. We also license our PacketWise software to OEM partners for incorporation in their networking products.

PacketShaper is available in three models to fit a broad range of network environments, including corporate and service providers' data centers, enterprise networks, branch offices and remote sites, as well as a wide variety of additional network environments. Our PacketShaper products support multiple WAN access link speeds. In addition, our solution supports thousands of simultaneous sessions involving a wide range of protocols. Each of our PacketShaper models is described below:

<TABLE>	<C>
<S>	
PacketShaper 1000	PacketShaper 1000 targets the needs of branch offices and remote sites. It connects to 10 megabits per second, or Mbps, Ethernet LANs and manages WAN access links with speeds up to 384 Kbps.
PacketShaper 2000	PacketShaper 2000 targets the requirements of enterprise network administrators and Internet service providers. It connects to 10 Mbps LANs and manages WAN access links with speeds up to 8 Mbps, or two T1/E1 lines.
PacketShaper 4000	PacketShaper 4000 targets corporate data centers, Fast Ethernet LAN, or 100 Mbps, environments and Internet service providers. It connects to 10 or 100 Mbps LANs and controls WAN access links with speeds up to 45 Mbps, or a T3 line. This model also has redundant power supplies and cooling fans, which are important features in service provider environments. Even if one of the fans or power supplies fails, PacketShaper still operates.

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PacketShapers are designed to be deployed easily and cost-effectively in an

existing network configuration. PacketShaper does not require any new protocols, standards, router reconfiguration or desktop changes. Additionally, each PacketShaper features a passive connector that maintains network connectivity if a PacketShaper is turned off or shuts down due to a hardware or software failure. PacketShapers are typically deployed between the LAN and the WAN access router in order to manage bandwidth at the WAN access link where traffic needs to be controlled to avoid a bottleneck. The diagram below depicts examples of how PacketShapers are deployed on customer networks.

LOGO

TECHNOLOGY

We differentiate our solution by combining our knowledge of enterprise applications with our expertise in underlying network protocols. We have invested heavily in developing valuable, proprietary software and related technologies. In particular, we have developed expertise and technology in these major areas: sophisticated traffic discovery and classification, flexible policy definition and enforcement, precise rate control, application-based response-time measurement, high-performance packet engines and scaleable configuration. We have tied together these technologies with an easy-to-use, web browser interface in order to insulate the end user from the sophistication of the underlying technology and to allow them to derive the benefits of the technology with minimal effort.

Sophisticated Traffic Discovery and Classification

The ability to automatically detect and classify an extensive collection of applications and protocols differentiates PacketShaper from other bandwidth management technologies. Sophisticated traffic classification is crucial to understand network congestion and to target appropriate bandwidth-allocation policies. Network software or devices that claim QoS features typically offer rudimentary solutions because they can identify traffic based only on protocol type or port numbers. This approach limits application-specific QoS capabilities because these products do not recognize the detailed information required to make intelligent classification decisions. PacketShaper discovers and classifies traffic by focusing on content and applications where value to the end user lies.

Relying only on more basic protocols to classify traffic prevents network managers from discovering important traffic trends and limits policy-setting. Sophisticated traffic types such as voice calls over networks based on Internet Protocol, or VoIP, Oracle 8, TN3270, Citrix, and Microsoft DCOM cannot be identified using rudimentary traffic classification schemes. PacketShaper identifies traffic markers, detects changing, or dynamic, port assignments and tracks transactions with changing port assignments. This sophisticated traffic classification allows network managers to set policies and control the traffic related to an individual application, session, client, server or traffic type. PacketShaper permits a network manager to isolate each published application running on a centralized server and can also differentiate among various applications using the same port. For example, noncritical applications such as web browsing and PointCast and mission-critical applications such as PeopleSoft e7.5 and critical web sites are all assigned to the same TCP port number on a network but can be individually classified using PacketShaper.

PacketShaper needs no assistance from network managers to automatically detect and identify over 150 traffic types. Without a sophisticated identification and classification capability, managers are usually unaware of the diversity of their own network traffic. In addition, managers can define proprietary applications so that their traffic can be recognized and reported. Our PacketShaper technology is differentiated by its ability to recognize older enterprise protocols, such as AppleTalk, DECnet, IPX and SNA. We continuously enhance PacketShaper's classification capability to include new traffic types. Any traffic category can be made even more specific by adding more detailed criteria -- for example, Oracle traffic to or from a particular database. The PacketShaper automatically classifies over 150 different traffic types, some of which are listed below. The traffic types are named either with their associated protocol or application and are grouped according to the class of application which generated that traffic. Each traffic type has an associated protocol which allows it to be recognized on the network.

<TABLE>

<S>	<C>	<C>	<C>	<C>	<C>
CLIENT/SERVER	DIRECTORY	E-MAIL	FILE	INTERNET	LEGACY LAN

CORBA	SERVICES	cc:MAIL	SERVER	ActiveX	AND NON-IP
FileMaker Pro	CRS	IMAP	Lockd	FTP	AppleTalk
FIX	DHCP	MS DCOM	NetBIOS-IP	Gopher	DECnet
LotusNotes	DNS	(MS	NFS	HTTP	IPX
MS DCOM	DPA	Exchange		IPv6	SNA
MS SQL	Finger	MSSQ	GAMING	IRC	FNA
Oracle	Ident	POP3	SYSTEMS	NNTP	LAT
SunRPC	Kerberos	SMTP	Doom	SSH	NetBEUI
	LDAP		Kali	SSL	AFF
	RADIUS		Quake	TFTP	
	TACACS		Quake II	UDP	
	Whois			UUCP	

</TABLE>

<TABLE>

<S>	<C>	<C>	<C>	<C>	<C>
NETWORK	PRINT	ROUTING	SESSION	TUNNELING	VOICE OVER
MANAGEMENT	LPR	AURP	Citrix	PROTOCOL	IP
PROTOCOL	TN3287	BGP	RDP	DLS	CUSEeMe
Cisco	TN5250p	CBT	Telnet	GRE	H.323
Discovery		DRP	Timbuktu	IPSEC	I-Phone
ICMP	PUSH	EGP	TN3270	L2TP	Micom VIP
NTP	Backweb	EIGRP	TN5250	PPTP	RTCP
SNMP	Marimba	IGMP	Xwindows		RTP
SYSLOG	PointCast	OSPF			T.120
		PIM	STREAMING		VDOPhone
		RARP	MEDIA		
		RIP	MPEG		
		Spanning	NetShow		
		Tree	RealAudio		
			RTSP		
			ST2		
			Streamworks		

</TABLE>

Flexible Policy Definition and Enforcement

PacketShaper provides network managers flexible tools to tailor solutions for different applications or traffic types. Unlike queuing-based approaches, PacketShaper allows network managers to do more than just prioritize one traffic type over another. Our policy features offer the flexibility required to tune bandwidth to specific applications and dynamically utilize available bandwidth. Our policy features may be used individually or in conjunction with each other. PacketShaper policy features include:

- Per-session rate policies. These policies enable network managers to limit or guarantee bandwidth to each individual session of an application's traffic. Per-session policies allocate each session an appropriate amount of bandwidth and prevent one large session from

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inappropriately impacting others. Network managers specify a minimum-guaranteed rate and allow the session scaled access to additional available bandwidth. For example, a bandwidth cap for traffic prevents web browsers from competing for bandwidth required by mission-critical applications. Likewise, a guaranteed rate for audio or video streams ensures that they are not interrupted by traffic that tends to consume any available bandwidth.

- Partitions. Partitions allow the creation of a separate, exclusive channel within a WAN access link. Partitions represent aggregate bandwidth minimums or maximums governing how much of the network can be used by a single application or traffic category. Partitions can be fixed, creating dedicated virtual circuits, or burstable, creating virtual circuits whose unused bandwidth can be shared.
- Priority policies. Priorities may be assigned to each application or traffic category. Eight priority levels are available. Priority policies are ideal for traffic that does not burst, non-IP traffic and traffic characterized by small, high-priority flows.
- Admission-control policies. Admission control determines the response if a bandwidth guarantee cannot be satisfied. Network managers may choose to deny access, accommodate an additional user with less than guaranteed performance, or, for web requests, redirect the request to another server. For example, if an online streaming-video service suffers a high-demand period and all available bandwidth is consumed, an admission-control policy could present a web page explaining that resources are busy. This allows a maximum number of users to receive a targeted service quality without degradation as new users seek to access the service.

- Discard and never-admit policies. These policies intentionally block traffic. Discard policies toss packets without sending feedback to the sender. Never-admit policies are similar to discard policies except that the policy informs the sender that service is blocked.

Precise Rate Control

One of TCP/IP's primary weaknesses is an inability to guarantee QoS. Unlike systems network architecture, or SNA, and asynchronous transfer mode, or ATM, protocols, which have an embedded concept of rate, TCP/IP's attempts to consume all available bandwidth conflict with the goal of predictable, consistent, mission-critical application performance. PacketShaper's standards-based TCP rate control technology overcomes TCP/IP's shortcomings by proactively preventing congestion on both inbound and outbound flows and increasing overall network throughput. Rather than discarding packets from a congested queue, TCP rate control paces packet delivery to prevent congestion. Rate control uses the remote user's access speed and real-time network latency to calculate the optimal transmission speed. Evenly paced packet transmissions, instead of packet bursts which consume all available bandwidth, yield significant efficiency gains in the network. TCP rate control is a proactive and precise way to increase network efficiency by avoiding retransmissions and packet loss and creates a smooth, even flow rate that maximizes throughput. By employing TCP rate control, PacketShaper manages the majority of traffic at the access link before network congestion occurs.

For non-TCP based traffic, such as UDP, alternative rate-based management techniques must be implemented. Typically UDP does not rely on acknowledgments to signal successful receipt of data, and it therefore offers no means for flow control. By directly controlling other TCP flows, however, PacketShaper effectively makes bandwidth available for UDP flows. The combination of per flow rate scheduling and explicit delay bounds removes latency and variability, or jitter, for the UDP flows traversing the WAN access link.

For example, VoIP is a UDP-based application that is particularly latency-sensitive, requiring packets to be evenly spaced to eliminate jitter. PacketShaper enhances VoIP performance in two

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ways. First, PacketShaper manages competing traffic by using rate control to constrain bursty TCP traffic. In addition, a rate policy for VoIP gives a minimum bandwidth guarantee to each flow, ensuring that each voice stream gets the bandwidth it needs for predictable performance. When there is a lull in the conversation, any unused bandwidth is re-allocated to other traffic.

Application-Based Response-Time Measurement

PacketShaper's position in the enterprise network -- monitoring and controlling all the traffic that passes -- gives it an opportunity to provide accurate response-time measurements. Because it already handles and classifies every packet, PacketShaper can easily calculate the time traffic spends traveling between a client and a server and the time used by the server itself.

PacketShaper breaks each response-time measurement into network delay, the time spent in transit, and server delay, the time the server used to process the request. It can highlight clients and servers with the slowest performance. PacketShaper allows network managers to set acceptability standards and then track whether performance adheres to the standards.

High-Performance Packet Engines

Sophisticated classification and control of high-speed traffic must be accomplished in an efficient manner. Adding significant delay in the process of managing traffic flows would negate the resulting performance improvements. Packeteer has developed expertise in the development of high-speed, software-based packet engines running on real-time operating systems that can efficiently process thousands of simultaneous high-speed connections with minimal delay. This core-engine software technology scales to take advantage of ever-increasing microprocessor performance to manage faster access links.

Scaleable Configuration

Large deployments require tools to ease the process of updating tens or hundreds of PacketShapers that are distributed throughout the network. To address these requirements, PacketShaper offers its own features, aligns with industry standards and integrates with third-party tools.

For example, PacketShaper's Group Configuration Service is a feature in the form of a web-based tool that network managers use to configure and deploy large PacketShaper installations. As another example, PacketShaper can access a lightweight directory access protocol, or LDAP, which is a networking industry standard, to enable centralized management of data such as lists of IP

addresses. Finally, PacketShaper is accessible from within HP OpenView, a Hewlett-Packard developed tool for network management.

CUSTOMERS

We sell all of our products through indirect channel partners. The following is a representative list of our indirect channel partners by geographic region:

<TABLE>
<CAPTION>

NORTH AND SOUTH AMERICA	EUROPE, AFRICA AND THE MIDDLE EAST	ASIA
<S>	<C>	<C>
AmeriNet, Inc.	Activis, Ltd.	AsiaSoft HK Ltd.
Bay Data Consultants	ADAnet IIS	Datacraft Asia Ltd.
Data Transit	Alcatel	Kanematsu USA, Inc.
DTM Corporation	Antea Consulting	Lan Systems Pty Ltd.
M-13	Data Construction	Macnica, Inc.
MicroVisions	Iperformances	Nissho Electronics Corporation
NCA (Network Computing Architects, Inc.)	Logical Networks Plc	Teledata (Singapore) Ltd.
NETPLEX Systems, Inc.	ME Networks AG	Unitech Computer Systems Limited
NETsource	MIEL	
Ocean Systems Engineer/ITI (OSEC)	Persetel PQ Client Computing	
SE Technologies, Inc.	Telemation AG & Co Netzwerke	
Solunet, Inc.	Wang Holdings Netherlands B.V.	
ThinApse Corp		
Trivalent LAN Concepts, Inc.		
Unisys Corp. through LACD		

</TABLE>

The following is a representative list of end users that have deployed multiple PacketShapers:

<TABLE>
<CAPTION>

ENTERPRISES	SERVICE PROVIDERS
<S>	<C>
American Bottling Company	Mitchell International, Inc.
Autodesk, Inc.	Motorola, Inc.
Borden Chemical Inc.	Northwestern Mutual Life
Boy Scouts of America	Insurance Company
Cytec Industries Inc.	Sony Pictures Entertainment
Domino's Pizza, Inc.	Staley/Tate & Lyle North America
Grant Thornton International	Standard & Poor's
Hoechst Marion Roussel AG	Transamerica Corporation
Hewlett-Packard Company	Unilever N.V.
Lucent Technologies Inc.	

</TABLE>

In 1998, sales to Macnica accounted for 11.9% of total net revenues. For the six months ended June 30, 1999, sales to ADC Telecommunications accounted for 10.6% of total net revenues and sales to Macnica accounted for 10.5% of total net revenues. In 1998, sales to the top 10 indirect channel partners accounted for 45.0% of total net revenues and for the six months ended June 30 1999, sales to the top 10 indirect channel partners accounted for 46.2% of total net revenues.

In 1998, sales to customers outside of North America constituted 54.7% of total net revenues and in the six months ended June 30, 1999, revenues attributable to sales to customers outside of North America constituted 55.0% of total net revenues.

The following representative case studies of three of our current customers illustrate how some of our customers have deployed our products:

Autodesk. Autodesk is a leading supplier of PC design software and multimedia tools used for a wide range of design, engineering, mapping and design-visualization purposes. Autodesk sought to reduce spending on expensive international WAN connections to its worldwide offices, as well as to ensure predictable performance for mission-critical applications such as SAP, Citrix WinFrame and Microsoft Outlook. Before installing PacketShaper, Autodesk required two permanent virtual circuits, or PVCs, for each of its hub locations: one for mission-critical applications and another for secondary

traffic such as file transfers. Using PacketShaper, Autodesk was able to consolidate its network traffic, simplify its network management, reduce its PVC requirements by half, and realize cost savings and efficiency by not maintaining additional network infrastructure.

Domino's Pizza. Domino's Pizza is a leader in pizza delivery. When Domino's purchased a new order-processing application from PeopleSoft, it sought to ensure that appropriate bandwidth would be available on its corporate network while preserving performance for other important traffic such as IPX, which is used for access to network directory services. Using PacketShaper, Domino's was able to identify the different types of traffic on its network, including traffic types it had not previously known were consuming bandwidth. Network managers defined bandwidth-allocation policies to enable PeopleSoft performance, protect other mission-critical applications, and reduce bandwidth for non-urgent traffic during times of contention.

Hoechst Marion Roussel. Hoechst Marion Roussel, or HMR, is a leading pharmaceutical company with operations worldwide. When HMR began deploying SAP R/3 in its Latin American operations to support mission-critical financial management, manufacturing and sales functions, they found SAP R/3 competed for network bandwidth with Microsoft Exchange. Adding more bandwidth was not an effective solution because TCP/IP applications, such as Microsoft Exchange, attempt to consume all of the available bandwidth on a network, leaving other applications with inadequate bandwidth to perform properly. WAN bandwidth is also very expensive in Latin America. Packeteer's TCP rate control technology enabled HMR to manage their Microsoft Exchange traffic by setting appropriate bandwidth policies for several applications and enabling SAP R/3 to perform even during heavy network congestion. The easily deployable nature and remote management capabilities of Packeteer's solution enabled HMR to deploy PacketShapers in multiple sites where technical resources were scarce.

MANUFACTURING

We outsource our manufacturing, including warranty repair, to two contract manufacturers. PEMSTAR, located in San Jose, California, manufactures our PacketShaper 1000 and 2000, and Sanmina, located in San Jose, California, manufactures our PacketShaper 4000. The manufacturing processes and procedures for both of these manufacturers are ISO 9002 certified. Outsourcing our manufacturing enables us to reduce fixed costs and to provide flexibility in meeting market demand.

We design and develop the key components of our products, including printed circuit boards and software. In addition, we determine the components that are incorporated in our products and select the appropriate suppliers of these components. Product testing and burn-in is performed by our contract manufacturers using tests and automated testing equipment that we specify. We also use inspection testing and statistical process controls to assure the quality and reliability of our products.

We use a rolling seven-month forecast based on anticipated product orders to determine our material requirements. Lead times for the materials and components we order vary significantly and depend on factors such as specific supplier, contract terms and demand for a component at a given time. We submit purchase orders for quantities requested within 90 days. PEMSTAR, Sanmina or Packeteer may terminate the contract without cause at any time. At that time the terminating party must honor all open purchase orders.

MARKETING AND SALES

We target our marketing and sales efforts at enterprises and service providers. Marketing and sales activities focus on reaching the corporate application network managers responsible for the performance of mission-critical applications in the enterprise. They also focus on reaching service

providers that provide valued-added service offerings, such as web hosting, application outsourcing and application service-level management.

Our marketing programs support the sale and distribution of our products and educate existing and potential enterprise and service provider customers about the benefits of our application-adaptive bandwidth management solutions. Our marketing efforts include the following:

- publication of technical and educational articles in industry magazines;
- public speaking opportunities;
- web site-based communication and promotion;
- industry tradeshows, technical conferences and technology seminars; and

- advertising, direct mail and public relations.

We classify our distribution channels in the following three categories:

- Solution Partners. We have established an indirect distribution channel which is comprised of a network of over 100 VARs, distributors and systems integrators that sell our solutions in over 50 countries. These solution partners sell PacketShapers and other products that are complementary to our application-adaptive bandwidth management solution.
- Technology Partners. Technology partners are OEMs and companies with whom we have established joint development relationships. These partners license our PacketWise software for integration into their networking products. For example, we established a relationship with Hewlett-Packard to enhance HP OpenView so that PacketShaper can be managed through its interface.
- Alliance Partners. We have developed a marketing alliance program to establish new marketing relationships, as well as enhance existing relationships, with hardware, software and systems vendors. We believe that we can build brand awareness by working with alliance partners to identify the needs of specific customer environments. For example, we formed an alliance with Citrix to identify and enhance the performance of individual applications within the Citrix MetaFrame and WinFrame environments and an alliance with Clarent Corporation to identify and enhance the quality of their VoIP applications. We work with alliance partners on various joint marketing initiatives, including product literature, direct mailings and seminars.

As of June 30, 1999, our worldwide sales and marketing organization consisted of 51 individuals, including managers, sales representatives and technical and administrative support personnel. We have ten domestic sales offices located in Bedminster, New Jersey; Chicago, Illinois; Cupertino and San Diego, California; Dallas and Houston, Texas; Fall River, Massachusetts; Littleton, Colorado; Duluth, Georgia; and Tacoma, Washington. In addition, we have four international sales offices located in Hong Kong; Sydney, Australia; Tokyo, Japan; and Waddinxveen, The Netherlands.

We believe there is a strong international market for our bandwidth management solutions. Our international sales are conducted primarily through our overseas offices. Sales to customers outside of North America accounted for 54.7% of our total net revenues in 1998 and 55.0% of our total net revenues for the six months ended June 30, 1999. In addition, sales to Asia Pacific accounted for 31.0% of our total net revenues in 1998 and 28.7% of our total net revenues for the six months ended June 30, 1999.

RESEARCH AND DEVELOPMENT

As of June 30, 1999, our research and development organization consisted of 26 employees, each with expertise in a different area of our software: core engineering, classification, configuration and reporting management, user interface and platform engineering. Since inception, we have focused our research and development efforts on developing and enhancing our application-adaptive bandwidth management solutions. To date, we have released the following products and enhancements:

<TABLE>
<CAPTION>

QUARTER INTRODUCED	PRODUCT OR ENHANCEMENT	DESCRIPTION
Q1 1997	PacketShaper 2000 PacketWise v1.1	- First product introduced, a T1 bandwidth-capacity hardware model
Q2 1997	PacketWise v2.0	- Policy Console, which provides management of PacketShaper from a web browser - Multi-protocol support (non-IP traffic types)
Q3 1997	PacketWise v2.1	- First add-on policy modules for classifying and suggesting policies for applications
Q4 1997	PacketShaper 4000	- T3 bandwidth-capacity hardware model introduced

	PacketShaper 1000	- Fractional-T1 bandwidth-capacity hardware model introduced
	PacketWise v3.0	- Integrated measurement engine for recording and reporting usage and performance data - Built-in application traffic discovery and suggested policies
Q2 1998	PacketWise v3.1	- Policy-based management -- Dynamic domain name servers, or DNS, software that lets users locate computers on the Internet by domain name, to permit traffic to be classified by dynamic DNS name and not static IP address -- Fail-over to lower-capacity backup link, to permit different policies to be applied where lower bandwidth capacity is available -- Group configuration services, for sharing configurations between multiple PacketShapers - Support for classifying and managing VoIP traffic - Support for classifying and managing thin-client traffic - HP OpenView network management support
Q3 1998	Memorex Telex Bandwidth Manager	- First private label PacketShaper introduced
Q4 1998	PacketWise v3.1-ADC	- First commercial OEM software product license
Q1 1999	PacketWise v4.0	- Support for measurement and reporting of response times - Deep application classification of Oracle (e.g. database name) and of Citrix (e.g. published application name) - Microsoft Exchange classification
Q2 1999	PacketWise v4.1-Adtran	- OEM software product license
	Lucent bandwidth manager	- Private label PacketShaper

</TABLE>

CUSTOMER SERVICE AND TECHNICAL SUPPORT

Our customer service and support organization provides both product maintenance and technical support services. Our technical support staff is strategically located in four regional service centers: California, Hong Kong, Japan and The Netherlands. Our indirect channel partners offer similar support services for all of our products they sell. These services are typically sold as a one-year contract to our resellers and end users. These services are not provided without a maintenance contract. Our two maintenance programs are described as follows:

Packeteer Partner ProSupport. This service is designed for our indirect channel partners. Our partners purchase this program so that they can offer support services to their customers. These services include:

- an extended warranty period beyond the standard one-year warranty;
- a software subscription service allowing access to all software upgrades and updates; and
- current technical bulletins, advanced white papers and other technical support materials.

Packeteer Premium ProSupport. This service is designed for end users who receive support services directly from us and includes:

- an extended warranty with advance replacement of defective units within two business days of notification;
- a software subscription service allowing access to all software upgrades and updates;
- unlimited telephone and e-mail support; and
- current technical bulletins, advanced white papers and other technical support materials.

COMPETITION

We compete in a new, rapidly evolving and highly competitive sector of the bandwidth management solutions market. We expect competition to persist and intensify in the future from a number of different sources. Increased competition could result in reduced prices and gross margins for our products and could require increased spending by us on research and development, any of which could harm our business. We compete with Cisco, CheckPoint and several small private companies which sell products that utilize competing technologies to provide bandwidth management. In addition, our products and technology compete for information technology budget allocations with products that offer monitoring technologies, such as probes and related software. Lastly, we face indirect competition from companies that offer enterprises and service providers increased bandwidth and infrastructure upgrades that increase the capacity of their networks, and thereby may lessen or delay the need for bandwidth management.

We believe the principal competitive factors in the bandwidth management solutions market are:

- expertise and in-depth knowledge of applications;
- timeliness of new product introductions;
- ability to integrate in the existing network architecture without requiring network reconfigurations or desktop changes;
- ability to ensure end-user performance in addition to aggregate performance of the WAN access link;
- compatibility with industry standards;
- products that do not increase latency and packet loss;

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- size and scope of distribution network;
- brand name; and
- access to customers and size of installed customer base.

INTELLECTUAL PROPERTY

We rely on a combination of patent, copyright and trademark laws, and on trade secrets, confidentiality provisions and other contractual provisions to protect our proprietary rights. These measures afford only limited protection. We currently have one issued U.S. patent and 10 pending patent applications, including one for which we have received a notice of allowance. We cannot assure you that our means of protecting our proprietary rights in the U.S. or abroad will be adequate or that competitors will not independently develop similar technologies. Our future success depends in part on our ability to protect our proprietary rights to the technologies used in our principal products. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our products or to obtain and use trade secrets or other information that we regard as proprietary. In addition, the laws of some foreign countries do not protect our proprietary rights as fully as do the laws of the U.S. We cannot assure you that any issued patent will preserve our proprietary position, or that competitors or others will not develop technologies similar to or superior to our technology. Our failure to enforce and protect our intellectual property rights could harm our business, operating results and financial condition.

From time to time, third parties, including our competitors, have asserted patent, copyright and other intellectual property rights to technologies that are important to us. We expect that we will increasingly be subject to infringement claims as the number of products and competitors in the application-adaptive bandwidth management market grows and the functionality of products overlaps. The results of any litigation matter are inherently uncertain. In the event of an adverse result in any litigation with third parties that could arise in the future, we could be required to pay substantial damages, including treble damages if we are held to have willfully infringed, to cease the manufacture, use and sale of infringing products, to expend significant resources to develop non-infringing technology, or to obtain licenses to the infringing technology. Licenses may not be available from any third party that asserts intellectual property claims against us on commercially reasonable terms, or at all. In addition, litigation frequently involves substantial expenditures and can require significant management attention, even if we ultimately prevail.

EMPLOYEES

As of June 30, 1999, Packeteer employed a total of 90 full-time employees.

Of the total number of employees, 26 were in research and development, 40 in sales and customer service, 11 in marketing, three in operations and 10 in administration. Our employees are not represented by any collective bargaining agreement with respect to their employment by Packeteer.

FACILITIES

We lease approximately 27,000 square feet of administrative and research and development facilities in Cupertino, California. We believe our current facilities will be sufficient to handle our operations for at least the next 12 months. We believe that future growth can be accommodated by obtaining the necessary additional space. Packeteer leases sales offices in the following locations: Duluth, Georgia; Bedminster, New Jersey; Dallas, Texas; Tacoma, Washington; Sydney, Australia; Hong Kong; Tokyo, Japan; and Waddinxveen, The Netherlands.

LEGAL PROCEEDINGS

We have no material legal proceedings threatened or pending.

MANAGEMENT

EXECUTIVE OFFICERS AND DIRECTORS

Our executive officers and directors and their ages as of June 30, 1999 are as follows:

<TABLE>
<CAPTION>

NAME	AGE	POSITION
----	---	-----
<S>	<C>	<C>
Craig W. Elliott.....	38	President, Chief Executive Officer and Director
Brett D. Galloway.....	35	Vice President, Engineering, Chief Operating Officer and Director
Robert L. Packer.....	39	Chief Technical Officer and Director
William E. Klaus.....	39	Vice President, Business Development
Todd J. Krautkremer....	38	Vice President, Marketing
Neil A. Sundstrom.....	46	Vice President, Worldwide Sales
David C. Yntema.....	54	Chief Financial Officer and Secretary
Steven J. Campbell(2)...	57	Chairman of the Board of Directors
Joseph A. Graziano(1)(2).....	55	Director
Peter T. Morris(1)(2)...	43	Director
William R. Stensrud.....	48	Director

</TABLE>

- (1) Member of audit committee
(2) Member of compensation committee

Craig W. Elliott has served as President, Chief Executive Officer and a Director of Packeteer since April 1996. From January 1991 to March 1996, Mr. Elliott served as International General Manager of Apple Computer, Inc.'s Online Internet Division, where he managed Apple's Internet and online business in more than 80 countries. From November 1987 to May 1991, Mr. Elliott served as Apple's Product Business Manager in charge of Networking and Communication Products. Mr. Elliott holds a B.S. in animal science from Iowa State University.

Brett D. Galloway, a co-founder of Packeteer, has served as Chief Operating Officer, Vice President, Engineering and a Director of Packeteer since its inception. Mr. Galloway also served as Chief Financial Officer of Packeteer from its inception in 1996 to January 1999. Prior to founding Packeteer, Mr. Galloway served as Director of Engineering at Metricom, Inc., a wireless Internet networking company, from November 1994 through February 1996 and as Director of Software Engineering at Metricom from October 1990 to November 1994. Mr. Galloway holds a B.S. and an M.S. in electrical engineering from Stanford University.

Robert L. Packer, a co-founder of Packeteer, has served as Chief Technical Officer and a Director of Packeteer since its inception. From 1987 to January 1996, Mr. Packer was an independent consultant, developing telecommunications and networking technologies, including protocols for the Ricochet microcellular wireless network for Metricom, Inc., a wireless Internet networking company, OSI protocols for IBM Corporation and a high-performance packet switch for British Telecom North America, a telecommunications company. Mr. Packer holds a B.A. in philosophy and political science from Swarthmore College.

William E. Klaus has served as Vice President, Business Development for Packeteer since June 1998. From October 1996 to May 1998, Mr. Klaus served as Vice President of Sales and Business Development for Packeteer. From March 1996

to October 1996, Mr. Klaus served as Director of Products and Channels for Eagle River Interactive, an Internet development company. From October 1988 to March 1996, Mr. Klaus held various positions at Apple Computer, Inc., including Senior Manager of Business Development. Mr. Klaus was a founding member of KPMG Peat

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Marwick/ExIS, a joint effort of KPMG and Apple Computer, and also held positions with Racore, Inc., a networking company, and Motorola, an electronic equipment manufacturer. Mr. Klaus holds a B.S. in finance from San Jose State University.

Todd J. Krautkremer has served as Vice President, Marketing for Packeteer since January 1999. From October 1990 through December 1998, Mr. Krautkremer held various positions at Sync Research, a networking company, with his most recent position being Vice President of Strategic Marketing. Mr. Krautkremer holds a B.S. in computer science from St. Cloud State University.

Neil A. Sundstrom has served as Vice President, Sales for Packeteer since June 1998. From September 1997 to May 1998 Mr. Sundstrom served as Vice President of International Sales for Packeteer. From October 1994 to September 1997, Mr. Sundstrom served as Vice President of 3Com Corporation's Network Service Provider Division (known as Primary Access prior to its 1995 acquisition by 3Com). From January 1990 to September 1994 Mr. Sundstrom served as Intercontinental Area Manager for SynOptics Communications, Inc., a networking company. Mr. Sundstrom serves as a Director of Perle Systems, a publicly held company. Mr. Sundstrom holds a B.A. in psychology from Simon Fraser University, British Columbia.

David C. Yntema has served as Chief Financial Officer and Secretary of Packeteer since January 1999. From May 1994 through August 1998, Mr. Yntema served as Chief Financial Officer and Vice President, Finance and Administration of VIVUS, Inc., a pharmaceutical company. Prior to joining VIVUS, Mr. Yntema served as Chief Financial Officer for EO, Inc., a handheld computer company, MasPar Computer Corporation, a massively parallel computer company, and System Industries, a storage subsystem company and has held a variety of other financial management positions. Mr. Yntema also serves as a Director of Virologic, Inc., a biotechnology company. Mr. Yntema holds a B.A. in economics and business administration from Hope College and an M.B.A. from the University of Michigan.

Steven J. Campbell has served as Chairman of the Board of Directors of Packeteer since its inception and served as Packeteer's Chief Executive Officer from January 1996 through April 1996. Mr. Campbell was a founder of StrataCom, Inc., a network switching equipment company which was acquired by Cisco Systems in July 1996, where he was employed from 1986 through 1991 initially as Chief Executive Officer and then as Vice President of Engineering and finally as Vice President of Operations. He headed the PBX development at Rolm Communications, Inc., a telecommunications company, from 1978 through 1983. He is a Director of Air Flash, Inc., a wireless portal company. Mr. Campbell holds a B.S. in electrical engineering from Oregon State University and an M.S. in electrical engineering from Santa Clara University.

Joseph A. Graziano has served as a Director of Packeteer since February 1996. From June 1989 to December 1995, Mr. Graziano was the Executive Vice President and Chief Financial Officer of Apple Computer, Inc. and was a member of the Board of Directors of Apple Computer, Inc. from June 1993 until October 1995. Prior to this, Mr. Graziano held a variety of positions, including Chief Financial Officer of Sun Microsystems, Inc. and Chief Financial Officer of Apple Computer, Inc. In addition, he has held accounting positions with Rolm Communications, Inc., Intel Corporation and various other technology companies in the Silicon Valley. Mr. Graziano serves as a Director of Carrier Access Corporation and Pixar, Inc., both publicly held companies. He is also a Director of Talk City, Inc. Mr. Graziano holds a B.S. in accounting from Merrimack College and is a certified public accountant.

Peter T. Morris has served as a Director of Packeteer since September 1996. Mr. Morris is a general partner at New Enterprise Associates where he has been employed since 1992. Prior to joining New Enterprise Associates, Mr. Morris held positions at Telebit Corp., a networking

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company, Montgomery Securities, an investment bank, and Bain and Company, an international strategy consulting firm. Mr. Morris serves as a Director of Accelerated Networks, Inc., America's Funding Source Corporation, AUNET, Gadzoox Networks, Inc., Invox Technology, LuxN, Mayan Networks Corporation, Packetcom Inc., Tiara Networks, Inc. and Virata Ltd. Mr. Morris received a B.S. in electrical engineering from Stanford University and an M.B.A. from the Stanford Graduate School of Business.

William R. Stensrud has served as a Director of Packeteer since July 1997.

Mr. Stensrud has been a general partner at the venture capital investment firm of Enterprise Partners since January 1997. Previously, from February 1992 to March 1996, Mr. Stensrud served as President and Chief Executive Officer of Primary Access Corporation which was acquired by 3Com Corporation. Mr. Stensrud is a director of several public and privately held companies, including RhythmsNet Connections, Paradyne and Juniper Networks, Inc. Mr. Stensrud holds a B.S. in electrical engineering and computer science from the Massachusetts Institute of Technology.

We have authorized seven directors. Following this offering, the board will consist of seven directors divided into three classes, with each class serving for a term of three years. At each annual meeting of stockholders, directors will be elected by the holders of common stock to succeed the directors whose terms are expiring. Messrs. Morris and Packer are Class I directors whose terms will expire in 2000, Messrs. Galloway and Stensrud are Class II directors whose terms will expire in 2001, and Messrs. Campbell, Elliott and Graziano are Class III directors whose terms will expire in 2002. The executive officers serve at the discretion of the board of directors. There are no family relationships among any of Packeteer's directors or executive officers.

BOARD COMMITTEES

Compensation committee. The compensation committee is primarily responsible for reviewing and approving our general compensation policies and setting compensation levels for our executive officers. The committee also administers Packeteer's incentive compensation plans. The committee currently consists of three directors, Mr. Campbell, Mr. Graziano and Mr. Morris.

Audit committee. The audit committee is primarily responsible for approving the services performed by our independent auditors and reviewing the auditor's reports regarding our accounting practices and systems of internal accounting controls. The committee currently consists of two directors, Mr. Graziano and Mr. Morris.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The members of the compensation committee of our board of directors are Mr. Campbell, Mr. Graziano and Mr. Morris. None of our executive officers serves on the board of directors or compensation committee of any entity which has one or more executive officers serving as a member of Packeteer's board of directors or compensation committee.

DIRECTOR COMPENSATION

We currently do not compensate any member of our board of directors. Members of the board are eligible to receive discretionary option grants and stock issuances under the 1999 Stock Incentive Plan.

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EXECUTIVE COMPENSATION

The following table sets forth compensation information with respect to the compensation received for services rendered to Packeteer by its current Chief Executive Officer and each of the four other most highly compensated executive officers for the year ended December 31, 1998, whose salary and bonus exceeded \$100,000.

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	ANNUAL COMPENSATION		OTHER ANNUAL COMPENSATION	LONG-TERM COMPENSATION
	SALARY	BONUS		SECURITIES UNDERLYING OPTIONS GRANTED (#)
<S>	<C>	<C>	<C>	<C>
Craig W. Elliott..... President and Chief Executive Officer	\$150,033	\$ --	\$ --	--
Brett D. Galloway..... Vice President, Engineering, Chief Operating Officer and Former Chief Financial Officer(1)	120,783	--	--	--
William E. Klaus..... Vice President, Business Development	143,783	69,912 (2)	50,000	50,000
Robert L. Packer..... Chief Technical Officer	120,789	--	--	--
Neil A. Sundstrom..... Vice President, Worldwide Sales	100,058	117,377 (2)	--	--

</TABLE>

- (1) Mr. Galloway resigned as Chief Financial Officer in January 1999.
 (2) Represents commissions paid.

OPTION GRANTS IN FISCAL YEAR 1998

The following table sets forth option grants for the year ended December 31, 1998 to Packeteer's Chief Executive Officer and each of the four other most highly compensated executive officers for the year ended December 31, 1998, whose salary and bonus exceeded \$100,000.

<TABLE>
 <CAPTION>

NAME	NUMBER OF UNDERLYING SHARES OPTIONS GRANTED	PERCENT OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR(1)	EXERCISE PRICE (2)	EXPIRATION DATE	POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM(3)		VALUE OF OPTION GRANT AT ASSUMED INITIAL OFFERING PRICE
					5%	10%	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Craig W. Elliott.....	--	--	--	--	--	--	--
Brett D. Galloway....	--	--	--	--	--	--	--
William E. Klaus.....	50,000 (4)	3.3%	\$3.50	8/19/08	\$110,000	\$278,905	\$550,000
Robert L. Packer.....	--	--	--	--	--	--	--
Neil A. Sundstrom....	--	--	--	--	--	--	--

- (1) Based on an aggregate of 1,501,000 options granted to employees, consultants and directors during the year ended December 31, 1998.
 (2) The exercise price per share of each option was equal to the fair market value of the common stock on the date of grant as determined by the board of directors after consideration of a

number of factors, including, but not limited to, Packeteer's financial performance, market conditions, the price and preferred rights and privileges of shares of equity securities sold to or purchased by outside investors and third-party appraisals.

- (3) The potential realizable value is calculated based on the term of the option at its time of grant, which is ten years. It is calculated assuming that the fair market value of Packeteer's common stock on the date of grant appreciates at the indicated annual rate compounded annually for the entire term of the option and that the option is exercised and sold on the last day of its term for the appreciated stock price.
 (4) Mr. Klaus' 50,000-share option grant vests as follows: 50% vested on December 17, 1998, and the balance upon the earlier of the closing of at least two OEM agreements, as a result of Mr. Klaus' efforts or August 19, 2005. The date of Mr. Klaus' 50,000-share option grant was August 19, 1998. The option has a maximum term of 10 years, subject to earlier termination in the event of his cessation of service to Packeteer.

AGGREGATED OPTION EXERCISES IN FISCAL YEAR 1998 AND FISCAL YEAR-END 1998 OPTION VALUES

The following table sets forth information concerning option exercises and option holdings for the year ended December 31, 1998 with respect to the Chief Executive Officer and each of the four other most highly compensated executive officers for the year ended December 31, 1998, whose salary and bonus exceeded \$100,000. Except as set forth below, no options or stock appreciation rights were exercised by any such individual during such year, and no stock appreciation rights were outstanding on December 31, 1998.

<TABLE>
 <CAPTION>

NAME	SHARES ACQUIRED ON EXERCISE	VALUE REALIZED (2)	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT FISCAL YEAR-END		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT FISCAL YEAR-END (4)		VALUE OF UNDERLYING UNEXERCISED OPTIONS AT ASSUMED INITIAL OFFERING PRICE
			EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Craig W. Elliott.....	--	--	--	--	--	--	--
Brett D. Galloway....	--	--	--	--	--	--	--
William E. Klaus.....	40,000 (1)	\$50,000 (2)	25,000 (3)	25,000 (3)	\$6,000	\$6,000	\$550,000
Robert L. Packer.....	--	--	--	--	--	--	--

</TABLE>

-
- (1) As of December 31, 1998, Mr. Klaus was vested in 12,500 of the shares exercised.
 - (2) Based on the fair market value of the purchased option shares at the time of exercise, as determined by the board of directors, less the option exercise price paid for those shares.
 - (3) Mr. Klaus' 50,000-share option grant vests as follows: 50% vested on December 17, 1998, and the balance upon the earlier of the closing of at least two OEM agreements, as a result of Mr. Klaus' efforts or August 19, 2005. The date of Mr. Klaus' 50,000-share option grant was August 19, 1998. The option has a maximum term of 10 years, subject to earlier termination in the event of his cessation of service to Packeteer.
 - (4) Based on the fair market value of the option shares on December 31, 1998, which was \$3.74 per share, as determined by the board, less the option exercise price payable for those shares.

EMPLOYEE BENEFIT PLANS

1999 Stock Incentive Plan. The 1999 Stock Incentive Plan is intended to serve as the successor program to our 1996 Equity Incentive Plan. The 1999 Stock Incentive Plan was adopted by the board in May 1999, subject to stockholder approval. The 1999 Stock Incentive Plan will become effective

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when the underwriting agreement for this offering is signed. At that time, all outstanding options under our existing 1996 Equity Incentive Plan will then be transferred to the 1999 Stock Incentive Plan, and no further option grants will be made under the 1996 Equity Incentive Plan. The transferred options will continue to be governed by their existing terms, unless our compensation committee decides to extend one or more features of the 1999 Stock Incentive Plan to those options. Except as described below, the transferred options have substantially the same term as will be in effect for grants made under the discretionary option grant program of our 1999 Stock Incentive Plan.

Share Reserve. 3,836,167 shares of our common stock have been authorized for issuance under the 1999 Stock Incentive Plan. This share reserve consists of the number of shares we estimate will be carried over from the 1996 Equity Incentive Plan plus an additional increase of 900,000 shares. The share reserve under our 1999 Stock Incentive Plan will automatically increase on the first trading day in January each year, beginning with calendar year 2000, by an amount equal to 5% of the total number of shares of our common stock outstanding on the last trading day of December in the prior year, but in no event will this annual increase exceed 3,000,000 shares. In addition, no participant in the 1999 Stock Incentive Plan may be granted stock options or direct stock issuances for more than 1,000,000 shares of common stock in total in any calendar year.

Programs. Our 1999 Stock Incentive Plan has three separate programs:

- the discretionary option grant program, under which eligible individuals in our employ may be granted options to purchase shares of our common stock at an exercise price not less than the fair market value of those shares on the grant date;
- the stock issuance program, under which eligible individuals may be issued shares of common stock directly, upon the attainment of performance milestones or upon the completion of a period of service or as a bonus for past services;
- the automatic option grant program, under which option grants will automatically be made at periodic intervals to eligible non-employee board members to purchase shares of common stock at an exercise price equal to the fair market value of those shares on the grant date;
- the salary investment option grant program, which may, at the plan administrator's sole discretion, be activated for one or more calendar years and, if so activated, will allow executive officers and other key executives selected by the plan administrator the opportunity to apply a portion of their base salary each year to the acquisition of special below-market stock option grants; and
- the director fee option grant program, which may, in the plan administrator's sole discretion, be activated for one or more calendar years and, if so activated, will allow non-employee board members the opportunity to apply all or a portion of the annual retainer fee otherwise payable to them in cash each year to the acquisition of special below-market option grants.

Eligibility. The individuals eligible to participate in our 1999 Stock Incentive Plan include our officers and other employees, our board members and

any consultants we hire.

Administration. The discretionary option grant and stock issuance programs will be administered by our compensation committee. This committee will determine which eligible individuals are to receive option grants or stock issuances under those programs, the time or times when the grants or issuances are to be made, the number of shares subject to each grant or issuance, the status of any granted option as either an incentive stock option or a nonstatutory stock option under the federal tax laws, the vesting schedule to be in effect for the option grant or stock issuance and the maximum term for which any granted option is to remain outstanding. The compensation committee will also have the authority to select the executive officers and other highly compensated employees who may

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participate in the salary investment option grant program in the event that program is put into effect for one or more calendar years.

Plan Features. Our 1999 Stock Incentive Plan will include the following features:

- The exercise price for any options granted under the plan may be paid in cash or in shares of our common stock valued at fair market value on the exercise date. The option may also be exercised through a same-day sale program without any cash outlay by the optionee.
- The compensation committee will have the authority to cancel outstanding options under the discretionary option grant program, including any transferred options from our 1996 Equity Incentive Plan, in return for the grant of new options for the same or for a different number of option shares with an exercise price per share based upon the fair market value of our common stock on the new grant date.
- Stock appreciation rights may be issued under the discretionary option grant program. These rights will provide the holders with the election to surrender their outstanding options for a payment from us equal to the fair market value of the shares subject to the surrendered options less the exercise price payable for those shares. We may make the payment in cash or in shares of our common stock. None of the options under our 1996 Equity Incentive Plan have any stock appreciation rights.

Change in Control. The 1999 Stock Incentive Plan will include the following change in control provisions which may result in the accelerated vesting of outstanding option grants and stock issuances:

In the event that we are acquired by merger or asset sale, each outstanding option under the discretionary option grant program which is not to be assumed by the successor corporation will immediately become exercisable for all the option shares, and all outstanding unvested shares will immediately vest, except to the extent our repurchase rights with respect to those shares are to be assigned to the successor corporation.

- The compensation committee will have complete discretion to grant one or more options which will become exercisable for all the option shares in the event those options are assumed in the acquisition but the optionee's service with us or the acquiring entity is subsequently terminated. The vesting of any outstanding shares under our 1999 Stock Incentive Plan may be accelerated upon similar terms and conditions.
- The compensation committee may grant options and structure repurchase rights so that the shares subject to those options or repurchase rights will immediately vest in connection with a successful tender offer for more than 50% of our outstanding voting stock or a change in the majority of our board through one or more contested elections. Such accelerated vesting may occur either at the time of such transaction or upon the subsequent termination of the individual's service.
- Most of the options currently outstanding under our 1996 Equity Incentive Plan will immediately vest as if they had been held for two times the length of time they had actually been held in the event of a change of control. In the event we are acquired, all options which are not exercised will terminate unless the acquired company assumes the options.

Automatic Option Grant Program. Each individual who is serving as a non-employee board member when the underwriting agreement for this offering is signed will automatically be granted an option to purchase 3,000 shares of common stock. Each individual who first becomes a non-employee board member at any time after the effective date of this offering will receive an option grant for

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12,000 shares of common stock on the date such individual joins the board. In addition, on the date of each annual stockholders meeting held after the effective date of this offering, each non-employee board member who is to continue to serve as a non-employee board member, including each of our current non-employee board members, will automatically be granted an option to purchase 3,000 shares of common stock, provided such individual has served on the board for at least six months.

Each automatic grant will have an exercise price per share equal to the fair market value per share of our common stock on the grant date and will have a term of 10 years, subject to earlier termination following the optionee's cessation of board service. The option will be immediately exercisable for all of the option shares; however, we may repurchase, at the exercise price paid per share, any shares purchased under the option which are not vested at the time the optionee no longer serves on the board. The shares subject to each 3,000-share automatic grant will be fully-vested when granted. The shares subject to each initial 12,000-share automatic option grant will vest in a series of six successive equal semi-annual installments upon the optionee's completion of each six months of board service over the 36 month period measured from the grant date. However, the shares will immediately vest in full upon certain changes in control or ownership or upon the optionee's death or disability while a board member.

Additional Program Features. Our 1999 Stock Incentive Plan will also have the following features:

- Outstanding options under the salary investment and director fee option grant programs will immediately vest if we are acquired by a merger or asset sale or if there is a successful tender offer for more than 50% of our outstanding voting stock or a change in the majority of our board through one or more contested elections.
- Limited stock appreciation rights will automatically be included as part of each grant made under the salary investment option grant program and the automatic and director fee option grant programs, and these rights may also be granted to one or more officers as part of their option grants under the discretionary option grant program. Options with this feature may be surrendered to us upon the successful completion of a hostile tender offer for more than 50% of our outstanding voting stock. In return for the surrendered option, the optionee will be entitled to a cash distribution from us in an amount per surrendered option share based upon the highest price per share of our common stock paid in that tender offer.
- The board may amend or modify the 1999 Stock Incentive Plan at any time, subject to any required stockholder approval. The 1999 Stock Incentive Plan will terminate no later than May 18, 2009.

1999 Employee Stock Purchase Plan. Our 1999 Employee Stock Purchase Plan was adopted by the board in May 1999, subject to stockholder approval. The plan will become effective immediately upon the signing of the underwriting agreement for this offering. The plan is designed to allow our eligible employees and the eligible employees of our participating subsidiaries to purchase shares of common stock, at semi-annual intervals, with their accumulated payroll deductions.

Share Reserve. 500,000 shares of our common stock will initially be reserved for issuance. The reserve will automatically increase on the first trading day in January each year, beginning in calendar year 2000, by an amount equal to 2% of the total number of outstanding shares of our common stock on the last trading day in December in the prior year. In no event will any such annual increase exceed 1,000,000 shares.

Offering Periods. The plan will have a series of successive offering periods, each with a maximum duration of 24 months. However, the initial offering period may have a maximum duration of up to 27 months. The initial offering period will start on the date the underwriting agreement for the offering covered is signed and will end on the last business day in July 2001. The next offering period will start on the first business day in August 2001, and subsequent offering periods will set by our compensation committee.

Eligible Employees. Individuals scheduled to work more than 20 hours per week for more than five calendar months per year may join an offering period on the start date or any semi-annual entry date within that period. Semi-annual entry dates will occur on the first business day of February and August each year beginning on February 1, 2000. Individuals who become eligible employees after the start date of an offering period may join the plan on any subsequent semi-annual entry date within that offering period.

Payroll Deductions. A participant may contribute up to 15%, or such lesser amount as may be designated by the plan administrator prior to the beginning of a six month purchase period of his or her total cash compensation through payroll deductions, and the accumulated deductions will be applied to the purchase of shares on each semi-annual purchase date. The purchase price per share will be equal to 85% of the fair market value per share on the participant's entry date into the offering period or, if lower, 85% of the fair market value per share on the semi-annual purchase date. Semi-annual purchase dates will occur on the last business day of July and January each year except the initial purchase date will occur on January 31, 2000. In no event, however, may any participant purchase more than 1,000 shares on any purchase date, and not more than 200,000 shares may be purchased in total by all participants on any purchase date.

Reset Feature. If the fair market value per share of our common stock on any purchase date is less than the fair market value per share on the start date of the two-year offering period, then that offering period will automatically terminate, and a new two-year offering period will begin on the next business day. All participants in the terminated offering will be transferred to the new offering period.

Change in Control. Should we be acquired by merger or sale of substantially all of our assets or more than fifty percent of our voting securities, then all outstanding purchase rights will automatically be exercised immediately prior to the effective date of the acquisition. The purchase price will be equal to 85% of the market value per share on the participant's entry date into the offering period in which an acquisition occurs or, if lower, 85% of the fair market value per share immediately prior to the acquisition.

Plan Provisions. The following provisions will also be in effect under the plan:

- The plan will terminate no later than the last business day of July 2009; and
- The board may at any time amend, suspend or discontinue the plan. However, certain amendments may require stockholder approval.

EMPLOYMENT AGREEMENTS AND CHANGE IN CONTROL ARRANGEMENTS

We do not presently have any employment contracts in effect with the Chief Executive Officer or any of the four other most highly compensated executive officers for the year ended December 31, 1998, whose salary and bonus exceeded \$100,000. We provide incentives such as salary, benefits and option grants to attract and retain qualified employees.

In the event of a change of control, Mr. Yntema, our Chief Financial Officer, and Mr. Krautkremer, our Vice President, Marketing, will each receive his base salary and bonus for one year.

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In the event that Packeteer is acquired by merger or asset sale, the compensation committee will have the authority to grant options which will immediately vest upon an acquisition of Packeteer, whether or not those options are assumed by the successor corporation. The compensation committee is also authorized under the Discretionary Option Grant and Stock Issuance Programs to grant options and to structure repurchase rights so that the shares subject to those options or repurchase rights will immediately vest in connection with a change in control of Packeteer. This accelerated vesting shall take place whether that change of control is by merger or asset sale, or successful tender offer for more than 50% of the outstanding voting stock or a change in the majority of the board by reason of one or more contested elections for board membership. This vesting shall occur either at the time of such change in control or upon the subsequent termination of the individual's service within a designated period following such change in control. This designated period shall not exceed 18 months. Some of the options incorporated from the Predecessor Plan will immediately vest upon an acquisition of Packeteer by merger or asset sale, as if they had been held for two times the length of the time they had actually been held by the optionee, and the options will terminate unless assumed by, and Packeteer's repurchase rights are assigned to, the successor entity. In addition, certain options granted to executive officers provide that if the options are assumed in an acquisition and the optionee's service is involuntarily terminated within eighteen months following such acquisition the option shares will vest in full and Packeteer's repurchase rights will lapse. The compensation committee will have the discretion to extend the acceleration provisions of the 1999 Stock Incentive Plan to options outstanding under the Predecessor Plan.

LIMITATION OF LIABILITY AND INDEMNIFICATION MATTERS

Our certificate of incorporation limits our directors' liability for monetary damages arising from a breach of their fiduciary duty as directors,

except to the extent otherwise required by the Delaware General Corporation Law. This limitation of liability does not affect the availability of equitable remedies such as injunctive relief or rescission.

Our bylaws provide that we shall indemnify its directors and officers to the fullest extent permitted by Delaware law, including in circumstances in which indemnification is otherwise discretionary under Delaware law. We have entered into indemnification agreements with its officers and directors containing provisions that may require us, among other things, to indemnify such officers and directors against certain liabilities that may arise by reason of their status or service as directors or officers, other than liabilities arising from willful misconduct of a culpable nature, to advance their expenses incurred as a result of any proceeding against them as to which they could be indemnified, and to obtain directors' and officers' insurance if available on reasonable terms.

At present, there is no pending litigation or proceeding involving any of our directors or officers where indemnification is required or permitted.

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CERTAIN TRANSACTIONS

Certain stock option grants to our directors and executive officers are described in this prospectus under the caption "Management--Executive Compensation."

PRIVATE PLACEMENT TRANSACTIONS

Since inception, we have raised capital primarily through the sale of our convertible preferred stock in private placement transactions. Pursuant to these private placements, we have issued the following:

<TABLE>
<CAPTION>

DATE OF ISSUANCE	SERIES	NUMBER OF SHARES	PRICE PER SHARE	AGGREGATE CONSIDERATION
-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
February and April 1996.....	Series A Preferred	2,800,000	\$0.25	\$ 700,000
September and October 1996.....	Series B Preferred	4,821,860	1.00	4,821,860
June and July 1997.....	Series C Preferred	2,216,320	2.00	4,432,640
April and July 1998.....	Series D Preferred	2,552,821	3.94	10,058,115

</TABLE>

The following table summarizes purchases, valued in excess of \$60,000, of shares of common stock and preferred stock purchased by executive officers, directors, 5% stockholders and persons associated with them since our inception. All share numbers reflect the number of shares purchased by the respective party on an as-converted basis.

<TABLE>
<CAPTION>

INVESTOR	SERIES A PREFERRED STOCK	SERIES B PREFERRED STOCK	SERIES C PREFERRED STOCK	SERIES D PREFERRED STOCK
-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
New Enterprise Associates(1).....	400,000	3,080,000	287,400	--
BG Services Limited.....	--	--	--	2,538,071
Enterprise Partners(2).....	--	--	1,618,128	--
Onset Enterprise Associates II, L.P.....	--	1,000,000	112,600	--
Steven Campbell(3).....	400,000	212,880	77,168	--
Joseph A. Graziano.....	300,000	159,660	57,996	--
Peter Morris.....	100,000	53,200	--	--

</TABLE>

(1) Represents 75,000 shares held by NEA Presidents Fund, L.P., 5,000 shares held by NEA Ventures 1996, L.P. and 3,687,400 shares held by New Enterprise Associates VII, Limited Partnership. Mr. Morris, a director of Packeteer, is a general partner of New Enterprise Associates VII.

(2) Represents 129,448 shares held by Enterprise Partners III Associates and 1,488,680 shares held by Enterprise Partners III, L.P. Mr. Stensrud, a director of Packeteer, is a general partner of both of these entities.

(3) Represents 690,048 shares held by the Campbell 1984 Revocable Trust U/A 2/12/84 UTD 10/12/92, of which Mr. Campbell is Trustee.

We have entered into indemnification agreements with each of our directors and officers. See "Description of Capital Stock -- Limitation of liability and indemnification matters."

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PRINCIPAL STOCKHOLDERS

The following table sets forth certain information known to us with respect to the beneficial ownership of our common stock as of June 30, 1999, except as noted in the footnotes below by:

- all persons who are beneficial owners of 5% or more of our common stock;
- each director;
- our Chief Executive Officer and the four other most highly compensated executive officers for the year ended December 31, 1998, whose salary and bonus exceeded \$100,000; and
- all directors and executive officers as a group.

Unless otherwise indicated, each of the stockholders has sole voting and investment power with respect to the shares beneficially owned, subject to community property laws, where applicable.

<TABLE>
<CAPTION>

	NUMBER OF SHARES	PERCENT BENEFICIALLY OWNED	
		BEFORE THE OFFERING	AFTER THE OFFERING
<S>	<C>	<C>	<C>
Peter T. Morris..... New Enterprise Associates(1) 2490 Sand Hill Road Menlo Park, CA 94025	4,520,620	20.4%	17.3%
BG Services Limited..... 6 Minden Place St. Helier Channel Islands, JE 24WQ	2,538,071	11.5	9.7
William R. Stensrud..... Enterprise Partners(2) 7979 Ivanhoe Avenue, Suite 550 La Jolla, CA 92037	1,618,128	7.3	6.2
Onset Enterprise Associates II, L.P..... 2490 Sand Hill Road Menlo Park, CA 94025	1,312,600	5.9	5.0
Craig W. Elliott(3).....	1,250,000	5.6	4.7
Brett D. Galloway(4).....	2,271,300	10.2	8.7
Robert L. Packer(5).....	2,071,300	9.3	7.9
William E. Klaus(6).....	250,000	1.1	1.0
Neil A. Sundstrom(7).....	262,500	1.2	1.0
Steven J. Campbell(8).....	1,238,620	5.6	4.7
Joseph A. Graziano(9).....	617,656	2.8	2.4
All directors and officers as a group (11 persons) (10).....	14,700,124	63.3	54.0

</TABLE>

* Less than 1%.

Except as otherwise noted below, the address of each person listed on the table is c/o Packeteer, Inc., 10495 N. De Anza Boulevard, Cupertino, California 95014.

The number of shares beneficially owned and the percentage of shares beneficially owned prior to the offering are based on 22,153,884 shares outstanding as of June 30, 1999. Beneficial ownership is determined in accordance with the rules of the SEC and includes voting and investment power with respect to such shares. All shares of common stock subject to options currently exercisable or exercisable within 60 days after June 30, 1999 are deemed to be outstanding and to be beneficially owned by the person holding such options for the purpose of computing the number of shares

beneficially owned and the percentage ownership of such person, but are not deemed to be outstanding and to be beneficially owned for the purpose of computing the percentage ownership of any other person. Except as indicated in the footnotes to the table and subject to applicable community property laws, based on information provided by the persons named in the table, such persons have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them.

- (1) Includes 75,000 shares held by NEA Presidents Fund, L.P., 5,000 shares held by NEA Ventures 1996, L.P. and 4,287,400 shares held by New Enterprise Associates VII, Limited Partnership. Also includes 153,220 shares held by Mr. Morris. Voting and dispositive power over the shares is held by all of the general partners of New Enterprise Associates. Mr. Morris is a general partner at New Enterprise Associates, and as such he may be deemed to share voting and investment power with respect to such shares. However, Mr. Morris disclaims beneficial ownership of all such shares.
- (2) Represents 129,448 shares held by Enterprise Partners III Associates and 1,488,680 shares held by Enterprise Partners III, L.P. Voting and dispositive power over the shares is held by all of the general partners of Enterprise Partners. Mr. Stensrud is a general partner at Enterprise Partners, and as such he may be deemed to share voting and investment power with respect to such shares. However, Mr. Stensrud disclaims beneficial ownership of all such shares.
- (3) Includes 250,000 shares of common stock issuable upon exercise of immediately exercisable options. Also includes 166,676 shares of common stock subject to Packeteer's right of repurchase. Includes 100,000 shares held by Elliott Children's Trust, of which Mr. Elliott is Trustee.
- (4) Includes 62,500 shares of common stock issuable upon exercise of immediately exercisable options.
- (5) Includes 62,500 shares of common stock issuable upon exercise of immediately exercisable options.
- (6) Includes 50,000 shares of common stock issuable upon exercise of immediately exercisable options. Also includes 70,843 shares of common stock subject to Packeteer's right of repurchase.
- (7) Includes 46,875 shares of common stock issuable upon exercise of immediately exercisable options. Also includes 119,788 shares of common stock subject to Packeteer's right of repurchase. Includes 3,000 shares held by Neil Sundstrom, as Custodian under the California Uniform Minor Act, for the benefit of Eric John Sundstrom and Lee Roland Sundstrom until age 18.
- (8) Includes 1,238,620 shares held by the Campbell 1984 Revocable Trust U/A 2/12/84 UT, of which Mr. Campbell is Trustee.
- (9) Includes 22,925 shares of common stock subject to Packeteer's right of repurchase.
- (10) Includes 1,071,875 shares of common stock issuable upon exercise of immediately exercisable options. Also includes 380,232 shares of common stock subject to Packeteer's right of repurchase.

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DESCRIPTION OF CAPITAL STOCK

After this offering, the authorized capital stock of Packeteer consists of 85,000,000 shares of common stock, \$0.001 par value per share and 5,000,000 shares of undesignated preferred stock, \$0.001 par value per share. As of June 30, 1999, there were an aggregate 22,153,884 shares of common stock outstanding held of record by 78 stockholders and after giving effect to this offering, there will be an aggregate of 26,153,884 shares of common stock issued and outstanding and approximately 2,735,749 shares of common stock issuable upon exercise of outstanding options. There will be no shares of preferred stock issued or outstanding.

The following description of our capital stock does not purport to be complete and is subject to and qualified by our amended and restated certificate of incorporation and bylaws and by the provisions of the applicable Delaware law.

COMMON STOCK

The holders of common stock are entitled to one vote per share on all matters to be voted upon by the stockholders. Subject to preferences that may be applicable to any outstanding preferred stock that may come into existence, the holders of common stock are entitled to receive ratably such dividends, if any, as may be declared from time to time by the board out of funds legally available for dividends. In the event of liquidation, dissolution or winding up, the holders of common stock are entitled to share ratably in all assets remaining after payment of liabilities, subject to prior distribution rights of preferred stock, if any, then outstanding. The common stock has no preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to the common stock. All outstanding shares of common stock are fully paid and nonassessable, and the shares of common stock to be outstanding upon completion of this offering will be fully paid and

nonassessable.

PREFERRED STOCK

The board of directors has the authority to issue the preferred stock in one or more series and to fix the price, rights, preferences, privileges and restrictions thereof, including dividend rights, dividend rates, conversion rights, voting rights, terms of redemption, redemption prices, liquidation preferences and the number of shares constituting a series or the designation of such series, without any further vote or action by our stockholders. The issuance of preferred stock, while providing desirable flexibility in connection with possible acquisitions and other corporate purposes, could have the effect of delaying, deferring or preventing a change in control without further action by the stockholders and may adversely affect the market price, and the voting and other rights, of the holders of common stock. The issuance of preferred stock with voting and conversion rights may adversely affect the voting power of the holders of common stock, including the loss of voting control to others. We have no current plans to issue any shares of preferred stock.

REGISTRATION RIGHTS OF CERTAIN HOLDERS

Under the terms of a registration rights agreement, subject to certain exceptions, if we propose to register any of our shares of common stock under the Securities Act, either for our own account or the account of any stockholder, in any public offering, certain investors holding an aggregate of 12,391,001 shares of our preferred stock as of June 30, 1999 are entitled to notice of such registration and are entitled, upon conversion of their registrable securities to include those registrable securities. In addition, the holder or holders of an aggregate of at least 50% of the then outstanding registrable securities shall have the right to require us to file a registration statement on a form, other than

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Form S-3 under the Securities Act, in order to register the registrable securities then held by such holder or holders, provided that:

- at least one year has passed since our initial public offering of shares of common stock under a registration statement;
- the anticipated aggregate offering price to the public is at least \$3,000,000; and
- we shall not be required to file more than two such registration statements.

Further, a holder or holders may require us to use all reasonable efforts to file additional registration statements on Form S-3, provided that:

- the anticipated aggregate offering price to the public is at least \$500,000 and
- we shall not be required to file more than two such registration statements.

The right to include any of the above described registrable securities in any registration is subject to certain limitations and conditions, including the underwriters' right to limit the number of shares being registered by all holders. We are required to indemnify holders of registrable securities and the underwriters, if any, for these holders under certain circumstances. In general, we are required to bear the expenses of two demand and all piggyback registrations, except for the selling stockholders' pro rata portion of the underwriting discounts and commissions.

ANTI-TAKEOVER PROVISIONS OF DELAWARE LAW

Certificate of Incorporation and Bylaws. Our certificate of incorporation and bylaws contain certain provisions that, together with the ownership position of the officers, directors and their affiliates, could discourage potential takeover attempts and make more difficult, attempts by stockholders to change management, which could adversely affect the market price of our common stock. Furthermore, our board of directors has the authority to impose various procedural and other requirements that could make it more difficult for stockholders to effect certain corporate actions. Any vacancy on the board of directors may be filled only by vote of the majority of directors then in office.

Our board of directors has the authority to issue up to 5,000,000 shares of preferred stock and to determine the price, rights, preferences, privileges and restrictions, including voting rights, of those shares without any further vote or action by the stockholders. The rights of the holders of common stock will be subject to, and may be adversely affected by, the rights of the holders of any preferred stock that may be issued in the future. The issuance of preferred

stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could have the effect of making it more difficult for a third party to acquire a majority of the outstanding voting stock.

Section 203 of the Delaware General Corporation Law. We are subject to Section 203 of the Delaware General Corporation Law which imposes restrictions on business combinations, which include a merger, asset sale or other transaction resulting in a financial benefit to the interested stockholder, with interested stockholders. An interested stockholder is any person who acquired 15% or more of our outstanding voting stock. In general, we are prohibited from engaging in business combinations with an interested stockholder, unless:

- before such person became an interested stockholder, the board of directors approved the transaction in which the interested stockholder became an interested stockholder or approved the business combination;

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- upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of our voting stock outstanding at the time the transaction commenced, which excludes for purposes of determining the number of shares outstanding stock held by directors who are also officers and by employee stock plans that do not provide employees with the rights to determine confidentiality whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- at or subsequent to the time which such person became an interested stockholder, the business combination is approved by the board of directors and authorized at a meeting of stockholders by the affirmative vote of the holders of two-thirds of the outstanding voting stock not owned by the interested stockholder.

Under Section 203, the restrictions described above also do not apply to certain business combinations proposed by an interested stockholder following the earlier of the announcement or notification of one of certain extraordinary transactions involving Packeteer and a person who had not been an interested stockholder during the previous three years or who became an interested stockholder with the approval of the board of directors, if such extraordinary transaction is approved or not opposed by a majority of the directors who are directors prior to any person becoming an interested stockholder during the previous three years or who were recommended for election or elected to succeed such directors by a majority of such directors. By restricting our ability to engage in business combinations with an interested person, the application of Section 203 to Packeteer may provide a barrier to hostile or unwanted takeovers.

LIMITATION OF LIABILITY AND INDEMNIFICATION MATTERS

Pursuant to the provisions of the Delaware General Corporation Law, we have adopted provisions in our amended and restated certificate of incorporation that provide that our directors shall not be personally liable for monetary damages to us or our stockholders for a breach of fiduciary duty as a director, except for liability as a result of:

- a breach of the director's duty of loyalty to us or our stockholders;
- acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;
- an act related to an unlawful stock repurchase or payment of a dividend under Section 174 of the Delaware General Corporation Law; or
- transactions from which the director derived an improper personal benefit.

This limitation of liability does not affect the availability of equitable remedies such as injunctive relief or rescission. Nevertheless, this charter provision may have the effect of reducing the likelihood of derivative litigation being instituted against members of the board. Furthermore, it may discourage or deter our stockholders or management from bringing a lawsuit against board members for breaches of fiduciary duty, even though such an action, if successful, might benefit us and our stockholders.

Our bylaws require us to indemnify our officers and directors and permit us to indemnify our other agents, by agreement or otherwise, to the fullest extent permitted under Delaware law. We have entered into separate indemnification agreements with our directors and officers that may, in some cases, be broader than the specific indemnification provisions contained in the Delaware General Corporation Law. The indemnification agreements may require us, among other things, to indemnify the officers and directors against certain liabilities, other than liabilities arising from willful misconduct of a culpable nature, that may arise by reason of their status or service as directors or officers. These agreements also may require us to advance the expenses incurred by the

directors as a result of any proceeding against them as to which they could be indemnified, and to obtain directors' and officers' insurance if available on reasonable terms.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, executive officers or persons controlling the company, we have been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

WARRANTS

At June 30, 1999, there were warrants to purchase 200,628 shares of common stock at a weighted average exercise price of \$3.67.

LISTING

Our common stock has been approved for quotation on The Nasdaq National Market under the symbol PKTR.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar of the common stock is EquiServe.

SHARES ELIGIBLE FOR FUTURE SALE

Future sales of substantial amounts of shares of our common stock in the public market could adversely affect prevailing market prices. Furthermore, since only a limited number of shares will be available for sale shortly after this offering because of certain contractual and legal restrictions on resale, as described below, sales of substantial amounts of common stock in the public market after the restrictions lapse could adversely affect the prevailing market price.

After this offering, 26,153,884 shares of common stock will be outstanding, assuming the issuance of an aggregate of 4,000,000 shares of common stock. The number of shares outstanding after this offering is based on the number of shares outstanding as of June 30, 1999, and assumes no exercise of outstanding options or warrants. The 4,000,000 shares sold in this offering will be freely tradable without restriction under the Securities Act. The remaining 22,153,884 shares of common stock outstanding upon completion of the offering are restricted securities in that they may be sold in the public market only if registered or if they qualify for an exemption from registration under the Securities Act or Rules 144, 144(k) or 701 of the Securities Act. In addition, all outstanding shares are subject to a 180 day market standoff either directly with Packeteer or as described below.

All of the officers and directors, who hold an aggregate of 13,628,249 shares of common stock, and stockholders of Packeteer holding an aggregate of 8,429,966 shares of common stock have entered into lock-up agreements generally providing that they will not offer, pledge, sell, offer to sell, contract to sell, sell any option or contract to purchase, purchase any option to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any of the shares of common stock or any securities convertible into, or exercisable or exchangeable for, common stock owned by them, or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the common stock, for a period of 180 days after the date of this prospectus, without the prior written consent of BancBoston Robertson Stephens Inc. Transfers may be made earlier:

- as a bona fide gift or gifts, provided the donee or donees agree in writing to be bound by this restriction;
- as a transfer to members of the undersigned's immediate family or to trusts for the benefit of members of the undersigned's immediate family, provided that the transferees agree in writing to be bound by the terms of this restriction;
- as a distribution to partners, stockholders or beneficiaries of the transferor, provided that the distributees agree in writing to be bound by the terms of this restriction;
- with respect to dispositions of common stock acquired on the open market;

- with respect to sales or purchases of common stock acquired on the open market; or

- with the prior written consent of BancBoston Robertson Stephens Inc.

BancBoston Robertson Stephens Inc. may, in its sole discretion and at any time without notice, release all or any portion of the securities subject to lock-up agreements. When determining whether or not to release shares from the lock-up agreements, BancBoston Robertson Stephens Inc. will consider, among other factors, the stockholder's reasons for requesting the release, the number of shares for which the release is being requested and market conditions at the time. Following the expiration of the 180 day lock-up period, additional shares of common stock will be available for sale in the public market subject to compliance with Rule 144 or Rule 701.

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In general, under Rule 144 as currently in effect, an affiliate of Packeteer or a person, or persons whose shares are aggregated, who has beneficially owned restricted securities for at least one year, including the holding period of any prior owner except an affiliate, would be entitled to sell within any three months ended a number of shares that does not exceed the greater of 1% of the then outstanding shares of Packeteer common stock or the average weekly trading volume of Packeteer common stock on the Nasdaq National Market during the four calendar weeks preceding such sale. Sales under Rule 144 are also subject to certain manner of sale provisions, notice requirements and the availability of current public information about Packeteer. Any person, or persons whose shares are aggregated, who is not deemed to have been an affiliate of Packeteer at any time during the 90 days preceding a sale, and who has beneficially owned shares for at least two years including any period of ownership of preceding non-affiliated holders, would be entitled to sell such shares under Rule 144(k) without regard to the volume limitations, manner of sale provisions, public information requirements or notice requirements.

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UNDERWRITING

The underwriters named below, acting through their representatives, BancBoston Robertson Stephens Inc., Bear, Stearns & Co. Inc. and Dain Rauscher Wessels, a division of Dain Rauscher Incorporated, have severally agreed with us, subject to the terms and conditions set forth in the underwriting agreement, to purchase from us the number of shares of common stock set forth opposite their names below. The underwriters are committed to purchase and pay for all such shares if any are purchased.

<TABLE>

<CAPTION>

UNDERWRITER -----	NUMBER OF SHARES -----
<S>	<C>
BancBoston Robertson Stephens Inc.	
Bear, Stearns & Co. Inc.	
Dain Rauscher Wessels.....	

Total.....	=====

</TABLE>

We have been advised by the representatives that the underwriters propose to offer the shares of common stock to the public at the initial public offering price set forth on the cover page of this prospectus and to certain dealers at such price less a concession of not in excess of \$ per share, of which \$ may be reallocated to their dealers. After the initial public offering, the public offering price, concession and reallocation to dealers may be reduced by the representatives. No such reduction shall change the amount of proceeds to be received by us as set forth on the cover page of this prospectus. The common stock is offered by the underwriters as stated in this prospectus, subject to receipt and acceptance by them and subject to their right to reject any order in whole or in part.

The underwriters do not intend to confirm sales to any accounts over which they exercise discretionary authority.

Over-allotment Option. We have granted to the underwriters an option, exercisable during the 30-day period after the date of this prospectus, to purchase up to 600,000 additional shares of common stock at the same price per share as we will receive for the 4,000,000 shares that the underwriters have agreed to purchase. To the extent that the underwriters exercise this option, each of the underwriters will have a firm commitment to purchase approximately

the same percentage of these additional shares that the number of shares of common stock to be purchased by it shown in the above table represents as a percentage of the 4,000,000 shares offered in this offering. If purchased, such additional shares will be sold by the underwriters on the same terms as those on which the 4,000,000 shares are being sold. We will be obligated, according to the option, to sell shares to the extent the option is exercised. The underwriters may exercise this option only to cover over-allotments made in connection with the sale of the shares of common stock offered in this offering. If this option is exercised in full, the total public offering price of the 4,600,000 shares we sell to the underwriters, underwriting discounts and commissions on such shares and total proceeds to us from the sale of these shares will be \$, \$ and \$, respectively.

The following table summarizes the compensation to be paid to the underwriters by us:

<TABLE>
<CAPTION>

	Per Share	Total	
		Without Over-allotment	With Over-allotment
<S>	<C>	<C>	<C>
Underwriting discounts and commissions payable by us.....	\$	\$	\$

</TABLE>

We estimate that expenses payable by us in connection with this offering, other than the underwriting discounts and commissions referred to above, will be approximately \$.

Indemnity. The underwriting agreement contains covenants of indemnity among the underwriters and us against certain civil liabilities, including liabilities under the Securities Act and liabilities arising from breaches of representations and warranties contained in the underwriting agreement.

Lock-up Agreements. With the exception of holders of 95,667 shares of outstanding common stock and holders of options and warrants to purchase 490,128 shares of common stock, each of our executive officers, directors, stockholders of record, optionholders and warrantholders has agreed with the representatives, for a period of 180 days after the date of this prospectus, subject to certain exceptions, not to offer to sell, contract to sell, or otherwise sell, dispose of, loan, pledge or grant any rights with respect to any shares of common stock, any options or warrants to purchase any shares of common stock, or any securities convertible into or exchangeable for shares of common stock owned as of the date of this prospectus or, with certain exceptions, thereafter acquired directly by such holders or with respect to which they have or hereafter acquire the power of disposition, without the prior written consent of BancBoston Robertson Stephens Inc. However, BancBoston Robertson Stephens Inc. may, in its sole discretion and at any time without notice, release all or any portion of the securities subject to the lock-up agreements. There are no agreements between the representatives and any of our stockholders providing consent by the representatives to the sale of shares prior to the expiration of the period of 180 days after this prospectus.

Future Sales. In addition, we have agreed that during the period of 180 days after this prospectus, we will not, subject to certain exceptions, without the prior written consent of BancBoston Robertson Stephens Inc.:

- Consent to the disposition of any shares held by stockholders prior to the expiration of the period of 180 days after this prospectus; or
- Issue, sell, contract to sell or otherwise dispose of any shares of common stock, any options or warrants to purchase any shares of common stock or any securities convertible into, exercisable for or exchangeable for shares of common stock, other than (1) the sale of shares in this offering, (2) the issuance of common stock upon the exercise or conversion of outstanding options, warrants or convertible securities, (3) our issuance of stock options under existing stock option plans and (4) our issuance of common stock under the Employee Stock Purchase Plan.

See "Shares Eligible for Future Sale."

Listing. We have been approved for quotation on the Nasdaq National Market under the symbol PKTR.

No Prior Public Market. Prior to this offering, there has been no public market for our common stock. Consequently, the initial public offering price for the common stock offered hereby was

determined through negotiations between us and the representatives. Among the factors considered in such negotiations were prevailing market conditions, certain of our financial information, market valuations of other companies that we and the representatives believed to be comparable to us, estimates of our business potential, the present state of our development and other factors deemed relevant.

Stabilization. The representatives have advised us that, pursuant to Regulation M under the Securities Act, certain persons participating in this offering may engage in transactions, include stabilizing bids, syndicate covering transactions or the imposition of penalty bids, that may have the effect of stabilizing or maintaining the market price of the common stock at a level above that which might otherwise prevail in the open market. A "stabilizing bid" is a bid for or the purchase of the common stock on behalf of the underwriters for the purpose of fixing or maintaining the price of the common stock. A "syndicate covering transaction" is the bid for or the purchase of the common stock on behalf of the underwriters to reduce a short position incurred by the underwriters in connection with this offering. A "penalty bid" is an arrangement permitting the representatives to reclaim the selling concession otherwise accruing to an underwriter or syndicate member in connection with this offering if the common stock originally sold by such underwriter or syndicate member is purchased by the representatives in a syndicate covering transaction and has therefore not been effectively placed by such underwriter or syndicate member. The representatives have advised us that such transactions may be effected on the Nasdaq National Market or otherwise and, if commenced, may be discontinued at any time.

Directed Share Program. At our request, the underwriters have reserved up to 240,000 shares of common stock to be issued by us and offered hereby for sale, at the initial public offering price, to directors, officers, employees, business associates and related persons of Packeteer. The number of shares of common stock available for sale to the general public will be reduced to the extent such individuals purchase such reserved shares. Any reserved shares which are not so purchased will be offered by the underwriters to the general public on the same basis as the other shares offered hereby.

LEGAL MATTERS

The legality of the common stock we are offering will be passed upon for Packeteer by Brobeck, Phleger & Harrison LLP, Palo Alto, California, and for the underwriters by Wilson Sonsini Goodrich & Rosati, Professional Corporation, Palo Alto, California.

EXPERTS

The consolidated financial statements and schedule of Packeteer, Inc. as of December 31, 1997 and 1998, and for the period from January 25, 1996 (inception) to December 31, 1996, and for each of the years in the two-year period ended December 31, 1998 have been included herein and in the registration statement in reliance upon the reports of KPMG LLP, independent auditors, appearing elsewhere herein and in the registration statement, and upon authority of said firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC, Washington, D.C. 20549, under the Securities Act a registration statement on Form S-1 relating to the common stock offered. This prospectus does not contain all of the information set forth in the registration statement and its exhibits and schedules. For further information with respect to Packeteer and the shares we are offering pursuant to this prospectus you should refer to the registration statement, including its exhibits and schedules. Statements contained in this prospectus as to the contents of any contract, agreement or other document referred to are not necessarily complete, and you should refer to the copy of that contract or other document filed as an exhibit to the registration statement or any other document. You may inspect a copy of the registration statement without charge at the Public Reference Section of the SEC at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549 or at the SEC's regional offices at 5670 Wilshire Boulevard, 11th Floor, Los Angeles, California 90036. The SEC maintains an Internet site that contains reports, proxy information statements and other information regarding registrants that file electronically with the SEC. The SEC's world wide web address is www.sec.gov.

We intend to furnish holders of our common stock with annual reports containing, among other information, audited financial statements certified by an independent public accounting firm and quarterly reports containing unaudited

consolidated financial information for the first three quarters of each fiscal year. We intend to furnish these other reports as we may determine or as may be required by law.

UNDERWRITING

The underwriters named below, acting through their representatives, BancBoston Robertson Stephens Inc., Bear, Stearns & Co. Inc. and Dain Rauscher Wessels, a division of Dain Rauscher Incorporated, have severally agreed with us, subject to the terms and conditions set forth in the underwriting agreement, to purchase from us the number of shares of common stock set forth opposite their names below. The underwriters are committed to purchase and pay for all such shares if any are purchased.

<TABLE>
<CAPTION>

UNDERWRITER -----	NUMBER OF SHARES -----
<S>	<C>
BancBoston Robertson Stephens Inc.	
Bear, Stearns & Co. Inc.	
Dain Rauscher Wessels.....	

</TABLE>

<TABLE>
<CAPTION>

INTERNATIONAL UNDERWRITER -----	NUMBER OF SHARES -----
<S>	<C>
BancBoston Robertson Stephens International Limited.....	
Bear, Stearns International Limited.....	
Dain Rauscher Wessels.....	

Total.....	=====

</TABLE>

We have been advised by the representatives that the underwriters propose to offer the shares of common stock to the public at the initial public offering price set forth on the cover page of this prospectus and to certain dealers at such price less a concession of not in excess of \$ per share, of which \$ may be reallocated to their dealers. After the initial public offering, the public offering price, concession and reallocation to dealers may be reduced by the representatives. No such reduction shall change the amount of proceeds to be received by us as set forth on the cover page of this prospectus. The common stock is offered by the underwriters as stated in this prospectus, subject to receipt and acceptance by them and subject to their right to reject any order in whole or in part.

The underwriters do not intend to confirm sales to any accounts over which they exercise discretionary authority.

Over-allotment Option. We have granted to the underwriters an option, exercisable during the 30-day period after the date of this prospectus, to purchase up to 600,000 additional shares of common stock at the same price per share as we will receive for the 4,000,000 shares that the underwriters have agreed to purchase. To the extent that the underwriters exercise this option, each of the underwriters will have a firm commitment to purchase approximately the same percentage of these additional shares that the number of shares of common stock to be purchased by it shown in the above table represents as a percentage of the 4,000,000 shares offered in this offering. If purchased, such additional shares will be sold by the underwriters on the same terms as those on which the 4,000,000 shares are being sold. We will be obligated, according to the option, to sell shares to the extent the option is exercised. The underwriters may exercise this option only to cover over-allotments made in connection with the sale of the shares of common stock offered in this offering. If this option is exercised in full, the total public offering price of the 4,600,000 shares we sell to the underwriters, underwriting discounts and commissions on such shares and total proceeds to us from the sale of these shares will be \$, \$ and \$, respectively.

The following table summarizes the compensation to be paid to the underwriters by us:

<TABLE>

<CAPTION>

	Per Share	Total	
		Without Over-allotment	With Over-allotment
<S>	<C>	<C>	<C>
Underwriting discounts and commissions payable			
by us.....	\$	\$	\$

We estimate that expenses payable by us in connection with this offering, other than the underwriting discounts and commissions referred to above, will be approximately \$.

Indemnity. The underwriting agreement contains covenants of indemnity among the underwriters and us against certain civil liabilities, including liabilities under the Securities Act and liabilities arising from breaches of representations and warranties contained in the underwriting agreement.

Lock-up Agreements. With the exception of holders of warrants to purchase 200,628 shares of common stock, each of our executive officers, directors, stockholders of record, optionholders and warrant holders has agreed with the representatives, for a period of 180 days after the date of this prospectus, subject to certain exceptions, not to offer to sell, contract to sell, or otherwise sell, dispose of, loan, pledge or grant any rights with respect to any shares of common stock, any options or warrants to purchase any shares of common stock, or any securities convertible into or exchangeable for shares of common stock owned as of the date of this prospectus or, with certain exceptions, thereafter acquired directly by such holders or with respect to which they have or hereafter acquire the power of disposition, without the prior written consent of BancBoston Robertson Stephens Inc. However, BancBoston Robertson Stephens Inc. may, in its sole discretion and at any time without notice, release all or any portion of the securities subject to the lock-up agreements. There are no agreements between the representatives and any of our stockholders providing consent by the representatives to the sale of shares prior to the expiration of the period of 180 days after this prospectus.

Future Sales. In addition, we have agreed that during the period of 180 days after this prospectus, we will not, subject to certain exceptions, without the prior written consent of BancBoston Robertson Stephens Inc.:

- Consent to the disposition of any shares held by stockholders prior to the expiration of the period of 180 days after this prospectus; or
- Issue, sell, contract to sell or otherwise dispose of any shares of common stock, any options or warrants to purchase any shares of common stock or any securities convertible into, exercisable for or exchangeable for shares of common stock, other than (1) the sale of shares in this offering, (2) the issuance of common stock upon the exercise or conversion of outstanding options, warrants or convertible securities, (3) our issuance of stock options under existing stock option plans and (4) our issuance of common stock under the Employee Stock Purchase Plan.

See "Shares Eligible for Future Sale."

Listing. We have applied for quotation on the Nasdaq National Market under the symbol PKTR.

No Prior Public Market. Prior to this offering, there has been no public market for our common stock. Consequently, the initial public offering price for the common stock offered hereby was

determined through negotiations between us and the representatives. Among the factors considered in such negotiations were prevailing market conditions, certain of our financial information, market valuations of other companies that we and the representatives believed to be comparable to us, estimates of our business potential, the present state of our development and other factors deemed relevant.

Stabilization. The representatives have advised us that, pursuant to Regulation M under the Securities Act, certain persons participating in this offering may engage in transactions, include stabilizing bids, syndicate covering transactions or the imposition of penalty bids, that may have the effect of stabilizing or maintaining the market price of the common stock at a level above that which might otherwise prevail in the open market. A "stabilizing bid" is a bid for or the purchase of the common stock on behalf of the underwriters for the purpose of fixing or maintaining the price of the common stock. A "syndicate covering transaction" is the bid for or the purchase of the common stock on behalf of the underwriters to reduce a short position

incurred by the underwriters in connection with this offering. A "penalty bid" is an arrangement permitting the representatives to reclaim the selling concession otherwise accruing to an underwriter or syndicate member in connection with this offering if the common stock originally sold by such underwriter or syndicate member is purchased by the representatives in a syndicate covering transaction and has therefore not been effectively placed by such underwriter or syndicate member. The representatives have advised us that such transactions may be effected on the Nasdaq National Market or otherwise and, if commenced, may be discontinued at any time.

Directed Share Program. At our request, the underwriters have reserved up to 240,000 shares of common stock to be issued by us and offered hereby for sale, at the initial public offering price, to directors, officers, employees, business associates and related persons of Packeteer. The number of shares of common stock available for sale to the general public will be reduced to the extent such individuals purchase such reserved shares. Any reserved shares which are not so purchased will be offered by the underwriters to the general public on the same basis as the other shares offered hereby.

LEGAL MATTERS

The legality of the common stock we are offering will be passed upon for Packeteer by Brobeck, Phleger & Harrison LLP, Palo Alto, California, and for the underwriters by Wilson Sonsini Goodrich & Rosati, Professional Corporation, Palo Alto, California.

EXPERTS

The consolidated financial statements and schedule of Packeteer, Inc. as of December 31, 1997 and 1998, and for the period from January 25, 1996 (inception) to December 31, 1996, and for each of the years in the two-year period ended December 31, 1998 have been included herein and in the registration statement in reliance upon the reports of KPMG LLP, independent auditors, appearing elsewhere herein and in the registration statement, and upon authority of said firm as experts in accounting and auditing.

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WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC, Washington, D.C. 20549, under the Securities Act a registration statement on Form S-1 relating to the common stock offered. This prospectus does not contain all of the information set forth in the registration statement and its exhibits and schedules. For further information with respect to Packeteer and the shares we are offering pursuant to this prospectus you should refer to the registration statement, including its exhibits and schedules. Statements contained in this prospectus as to the contents of any contract, agreement or other document referred to are not necessarily complete, and you should refer to the copy of that contract or other document filed as an exhibit to the registration statement or any other document. You may inspect a copy of the registration statement without charge at the Public Reference Section of the SEC at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549 or at the SEC's regional offices at 5670 Wilshire Boulevard, 11th Floor, Los Angeles, California 90036. The SEC maintains an Internet site that contains reports, proxy information statements and other information regarding registrants that file electronically with the SEC. The SEC's world wide web address is www.sec.gov.

We intend to furnish holders of our common stock with annual reports containing, among other information, audited financial statements certified by an independent public accounting firm and quarterly reports containing unaudited consolidated financial information for the first three quarters of each fiscal year. We intend to furnish these other reports as we may determine or as may be required by law.

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PACKETEER, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
PACKETEER, INC.:

We have audited the accompanying consolidated balance sheets of Packeteer, Inc. and subsidiaries as of December 31, 1997 and 1998, and the related consolidated statements of operations, stockholders' equity, and cash flows for the period from January 25, 1996 (inception) to December 31, 1996, and for each of the years in the two-year period ended December 31, 1998. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Packeteer, Inc. and subsidiaries as of December 31, 1997 and 1998, and the results of their operations and their cash flows for the period from January 25, 1996 (inception) to December 31, 1996, and for each of the years in the two-year period ended December 31, 1998, in conformity with generally accepted accounting principles.

/s/ KPMG LLP

Mountain View, California
March 3, 1999, except as to
Note 9, which is as of
May 19, 1999

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PACKETEER, INC.
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE DATA)

ASSETS

<TABLE>
<CAPTION>

	DECEMBER 31,		JUNE 30,	PRO FORMA
	1997	1998	1999	STOCKHOLDERS'
				EQUITY AT
				JUNE 30, 1999
				(UNAUDITED)
	<C>	<C>	<C>	<C>
Current assets:				
Cash and cash equivalents.....	\$ 2,416	\$ 2,550	\$ 4,569	
Short-term investments.....	--	1,927	3,205	
Accounts receivable, less allowance for doubtful accounts of \$37, \$293, and \$211 as of December 31, 1997 and 1998, and June 30, 1999.....	721	2,745	1,955	
Other receivables.....	764	39	50	
Inventories.....	362	188	202	
Prepays and other current assets.....	124	124	410	

Total current assets.....	4,387	7,573	10,391
Property and equipment, net.....	404	794	849
Other assets.....	144	203	190
Total assets.....	\$ 4,935	\$ 8,570	\$ 11,430

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:				
Line of credit.....	\$ --	\$ --	\$ 1,532	
Current portion of capital lease obligations.....	36	215	286	
Current portion of note payable.....	67	71	3,044	
Accounts payable.....	1,334	1,015	726	
Accrued compensation.....	85	253	452	
Other accrued liabilities.....	211	1,011	1,561	
Deferred revenue.....	42	1,507	1,004	
Total current liabilities.....	1,775	4,072	8,605	
Capital lease obligations, less current portion.....	116	570	643	
Note payable, less current portion.....	222	151	1,837	
Other long-term liabilities.....	18	18	18	
Total liabilities.....	\$ 2,131	\$ 4,811	\$ 11,103	
Commitments				
Stockholders' equity:				
Preferred stock, \$0.001 par value; 13,703,287 shares authorized; actual -- 9,838,180, 12,391,001 and 12,391,001 shares, issued and outstanding as of December 31, 1997 and 1998 and June 30, 1999; liquidation preference of \$9,955, \$20,013 and \$20,013 in aggregate as of December 31, 1997 and 1998, and June 30, 1999; pro forma -- no shares issued and outstanding.....	10	13	13	\$ --
Common stock, \$0.001 par value; 40,000,000 shares authorized; actual -- 8,981,300, 9,722,842 and 9,762,883 shares issued and outstanding as of December 31, 1997 and 1998, and June 30, 1999, respectively; pro forma -- 22,153,884 shares issued and outstanding as of June 30, 1999.....	9	10	10	23
Additional paid-in capital.....	10,145	20,924	26,043	26,043
Deferred stock-based compensation.....	--	(514)	(3,265)	(3,265)
Notes receivable from stockholders.....	(214)	(729)	(806)	(806)
Accumulated deficit.....	(7,146)	(15,945)	(21,668)	(21,668)
Total stockholders' equity.....	2,804	3,759	327	\$ 327
Total liabilities and stockholders' equity.....	\$ 4,935	\$ 8,570	\$ 11,430	

</TABLE>

See accompanying notes to consolidated financial statements.

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PACKETEER, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)

<TABLE>

<CAPTION>

	PERIOD FROM		YEARS ENDED		SIX MONTHS ENDED	
	JAN. 25, 1996 (INCEPTION) TO DEC. 31, 1996	1997	1998	1998	1999	
						(UNAUDITED)
<S>	<C>	<C>	<C>	<C>	<C>	
Net revenues:						
Product revenues.....	\$ --	\$ 1,413	\$ 7,105	\$ 2,917	\$ 6,330	
Licensing revenues.....	--	--	125	--	750	
Total net revenues.....	--	1,413	7,230	2,917	7,080	
Cost of revenues.....	--	457	2,386	1,070	1,927	
Gross profit.....	--	956	4,844	1,847	5,153	
Operating expenses:						
Research and development.....	725	2,932	2,779	1,168	2,220	
Sales and marketing.....	349	3,210	8,866	3,469	5,656	
General and administrative.....	238	934	1,750	746	1,142	
Amortization of stock-based compensation...	--	--	537	228	1,784	
Total operating expenses.....	1,312	7,076	13,932	5,611	10,802	

Net loss from operations.....	(1,312)	(6,120)	(9,088)	(3,764)	(5,649)
Other income (expense), net.....	75	211	289	135	(74)
Net loss.....	\$ (1,237)	\$ (5,909)	\$ (8,799)	\$ (3,629)	\$ (5,723)
Basic and diluted net loss per share.....	\$ (1.28)	\$ (1.82)	\$ (1.54)	\$ (0.72)	\$ (0.76)
Shares used in computing basic and diluted net loss per share.....	965	3,253	5,709	5,064	7,565

</TABLE>

See accompanying notes to consolidated financial statements.
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PACKETEER, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
PERIOD FROM JANUARY 25, 1996 (INCEPTION) TO DECEMBER 31, 1996
AND FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1998, AND FOR
THE SIX MONTHS ENDED JUNE 30, 1999 (UNAUDITED)
(IN THOUSANDS)

<TABLE>
<CAPTION>

	PREFERRED STOCK									
	SERIES A		SERIES B		SERIES C		SERIES D		COMMON STOCK	
	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Issuance of common stock for cash.....	--	\$--	--	\$--	--	\$--	--	\$--	640	\$--
Issuance of common stock for personal property.....	--	--	--	--	--	--	--	--	5,120	5
Issuance of Series A preferred stock, net of issuance costs of \$7.....	2,800	3	--	--	--	--	--	--	--	--
Issuance of common stock upon exercise of stock options.....	--	--	--	--	--	--	--	--	1,759	2
Issuance of Series B preferred stock, net of issuance costs of \$43.....	--	--	4,822	5	--	--	--	--	--	--
Repurchase of common stock.....	--	--	--	--	--	--	--	--	(160)	--
Net loss.....	--	--	--	--	--	--	--	--	--	--
Balances as of December 31, 1996.....	2,800	3	4,822	5	--	--	--	--	7,359	7
Issuance of Series C preferred stock, net of issuance costs of \$41.....	--	--	--	--	2,216	2	--	--	--	--
Issuance of common stock upon exercise of stock options.....	--	--	--	--	--	--	--	--	1,940	2
Repurchase of common stock.....	--	--	--	--	--	--	--	--	(318)	--
Issuance of warrants for Series B preferred stock.....	--	--	--	--	--	--	--	--	--	--
Net loss.....	--	--	--	--	--	--	--	--	--	--
Balances as of December 31, 1997.....	2,800	3	4,822	5	2,216	2	--	--	8,981	9
Issuance of Series D preferred stock, net of issuance costs of \$950.....	--	--	--	--	--	--	2,553	3	--	--
Issuance of common stock upon exercise of stock options.....	--	--	--	--	--	--	--	--	1,042	1
Stock-based compensation to non-employees.....	--	--	--	--	--	--	--	--	--	--
Issuance of common stock upon exercise of stock purchase rights.....	--	--	--	--	--	--	--	--	6	--
Repurchase of common stock.....	--	--	--	--	--	--	--	--	(306)	--
Issuance of warrants for Series D preferred stock.....	--	--	--	--	--	--	--	--	--	--
Repayment of notes receivable from stockholders.....	--	--	--	--	--	--	--	--	--	--
Deferred compensation related to stock option grants.....	--	--	--	--	--	--	--	--	--	--
Amortization of stock-based compensation.....	--	--	--	--	--	--	--	--	--	--
Net loss.....	--	--	--	--	--	--	--	--	--	--
Balances as of December 31, 1998.....	2,800	3	4,822	5	2,216	2	2,553	3	9,723	10
Stock-based compensation to non-employees.....	--	--	--	--	--	--	--	--	--	--
Stock options granted to new employees....	--	--	--	--	--	--	--	--	--	--
Issuance of common stock upon exercise of stock options.....	--	--	--	--	--	--	--	--	57	--
Repurchase of common stock.....	--	--	--	--	--	--	--	--	(17)	--
Issuance of warrants for Series D										

preferred stock.....	--	--	--	--	--	--	--	--	--	--
Repayments of notes receivable from stockholders.....	--	--	--	--	--	--	--	--	--	--
Deferred compensation related to stock option grants.....	--	--	--	--	--	--	--	--	--	--
Amortization of stock-based compensation.....	--	--	--	--	--	--	--	--	--	--
Net loss.....	--	--	--	--	--	--	--	--	--	--
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Balances as of June 30, 1999 (unaudited).....	2,800	\$ 3	4,822	\$ 5	2,216	\$ 2	2,553	\$ 3	9,763	\$10
	=====	====	=====	====	=====	====	=====	====	=====	====

<CAPTION>

	ADDITIONAL PAID-IN CAPITAL	DEFERRED STOCK-BASED COMPENSATION	NOTES RECEIVABLE FROM STOCKHOLDERS	ACCUMULATED DEFICIT	TOTAL STOCKHOLDERS' EQUITY
<S>	<C>	<C>	<C>	<C>	<C>
Issuance of common stock for cash.....	\$ --	\$ --	\$ --	\$ --	\$ --
Issuance of common stock for personal property.....	(4)	--	--	--	1
Issuance of Series A preferred stock, net of issuance costs of \$7.....	690	--	--	--	693
Issuance of common stock upon exercise of stock options.....	42	--	(29)	--	15
Issuance of Series B preferred stock, net of issuance costs of \$43.....	4,774	--	--	--	4,779
Repurchase of common stock.....	(4)	--	4	--	--
Net loss.....	--	--	--	(1,237)	(1,237)
	-----	-----	-----	-----	-----
Balances as of December 31, 1996.....	5,498	--	(25)	(1,237)	4,251
Issuance of Series C preferred stock, net of issuance costs of \$41.....	4,389	--	--	--	4,391
Issuance of common stock upon exercise of stock options.....	242	--	(195)	--	49
Repurchase of common stock.....	(10)	--	6	--	(4)
Issuance of warrants for Series B preferred stock.....	26	--	--	--	26
Net loss.....	--	--	--	(5,909)	(5,909)
	-----	-----	-----	-----	-----
Balances as of December 31, 1997.....	10,145	--	(214)	(7,146)	2,804
Issuance of Series D preferred stock, net of issuance costs of \$950.....	9,105	--	--	--	9,108
Issuance of common stock upon exercise of stock options.....	619	--	(568)	--	52
Stock-based compensation to non-employees.....	269	--	--	--	269
Issuance of common stock upon exercise of stock purchase rights.....	1	--	--	--	1
Repurchase of common stock.....	(40)	--	52	--	12
Issuance of warrants for Series D preferred stock.....	38	--	--	--	38
Repayment of notes receivable from stockholders.....	--	--	1	--	1
Deferred compensation related to stock option grants.....	787	(787)	--	--	--
Amortization of stock-based compensation.....	--	273	--	--	273
Net loss.....	--	--	--	(8,799)	(8,799)
	-----	-----	-----	-----	-----
Balances as of December 31, 1998.....	20,924	(514)	(729)	(15,945)	3,759
Stock-based compensation to non-employees.....	621	--	--	--	621
Stock options granted to new employees....	16	--	--	--	16
Issuance of common stock upon exercise of stock options.....	216	--	(182)	--	34
Repurchase of common stock.....	(16)	--	17	--	1
Issuance of warrants for Series D preferred stock.....	368	--	--	--	368
Repayments of notes receivable from stockholders.....	--	--	88	--	88
Deferred compensation related to stock option grants.....	3,914	(3,914)	--	--	--
Amortization of stock-based compensation.....	--	1,163	--	--	1,163
Net loss.....	--	--	--	(5,723)	(5,723)
	-----	-----	-----	-----	-----
Balances as of June 30, 1999 (unaudited).....	\$26,043	\$ (3,265)	\$ (806)	\$ (21,668)	\$ 327
	=====	=====	=====	=====	=====

</TABLE>

PACKETEER, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

<TABLE> <CAPTION>	PERIOD FROM JANUARY 25, 1996 (INCEPTION) TO DECEMBER 31, 1996 -----	YEARS ENDED DECEMBER 31, -----		SIX MONTHS ENDED JUNE 30, -----	
		1997	1998	1998	1999
				(UNAUDITED)	
<S>	<C>	<C>	<C>	<C>	<C>
Cash flows from operating activities:					
Net loss.....	\$ (1,237)	\$ (5,909)	\$ (8,799)	\$ (3,629)	\$ (5,723)
Adjustments to reconcile net loss to net cash used in operating activities:					
Depreciation and amortization.....	68	261	215	68	250
Allowance for doubtful accounts.....	--	37	305	105	(82)
Amortization of deferred stock-based compensation.....	--	--	542	228	1,784
Issuance of stock purchase rights.....	--	26	38	38	16
Amortization of deferred interest.....	--	--	--	--	61
Changes in operating assets and liabilities:					
Accounts receivable.....	--	(758)	(2,329)	(488)	872
Other receivables.....	--	(764)	724	745	(11)
Inventories.....	(6)	(356)	175	(122)	(14)
Prepays and other current assets.....	(18)	(106)	--	(131)	(286)
Accounts payable.....	149	1,185	(318)	204	(289)
Accrued compensation.....	25	60	168	97	199
Other accrued liabilities.....	28	184	800	145	550
Deferred revenue.....	--	42	1,464	47	(503)
	-----	-----	-----	-----	-----
Net cash used in operating activities.....	(991)	(6,098)	(7,015)	(2,693)	(3,176)
Cash flows from investing activities:					
Purchases of property and equipment.....	(241)	(492)	(605)	(242)	(305)
Purchase of short-term investments.....	--	--	(1,927)	--	(3,205)
Proceeds from sale of short-term investments.....	--	--	--	--	1,927
Other assets.....	--	(113)	(59)	(35)	13
	-----	-----	-----	-----	-----
Net cash used in investing activities.....	(241)	(605)	(2,591)	(277)	(1,570)
Cash flows from financing activities:					
Net proceeds from issuance of preferred stock....	5,472	4,391	9,108	9,050	--
Net proceeds from issuance of common stock.....	15	49	53	50	34
Proceeds from stockholders' note receivable.....	--	--	1	--	88
Repurchase of common stock.....	--	(4)	12	(1)	1
Borrowings under line of credit.....	--	--	--	--	1,892
Repayments of line of credit.....	--	--	--	--	(360)
Proceeds from note payable.....	--	287	--	--	5,000
Payments of note payable.....	--	(29)	(67)	(33)	(34)
Proceeds from lease financing.....	--	165	749	292	267
Principal payments of capital lease obligations...	--	(13)	(116)	(44)	(123)
Proceeds from other long-term liabilities.....	--	18	--	--	--
	-----	-----	-----	-----	-----
Net cash provided by financing activities...	5,487	4,864	9,740	9,314	6,765
Net increase (decrease) in cash and cash equivalents.....					
	4,255	(1,839)	134	6,344	2,019
Cash and cash equivalents at beginning of year.....	--	4,255	2,416	2,416	2,550
	-----	-----	-----	-----	-----
Cash and cash equivalents at end of year.....	\$ 4,255	\$ 2,416	\$ 2,550	\$ 8,760	\$ 4,569
	=====	=====	=====	=====	=====
Supplemental disclosures of cash flow information:					
Cash paid during year for interest.....	\$ --	\$ --	\$ 48	\$ 17	\$ 172
	=====	=====	=====	=====	=====
Noncash investing and financing activities:					
Issuance of common stock in exchange for equipment and technology.....	\$ 1	\$ --	\$ --	\$ --	\$ --
	=====	=====	=====	=====	=====
Issuance of common stock upon exercise of options in exchange for notes receivable.....	\$ 25	\$ 195	\$ 568	\$ 444	\$ 182
	=====	=====	=====	=====	=====
Repurchase of common stock in exchange for cancellation of notes receivable.....	\$ --	\$ 6	\$ 52	\$ 4	\$ 17

See accompanying notes to consolidated financial statements.

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PACKETEER, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1996, 1997 AND 1998
(INFORMATION AS OF JUNE 30, 1999 AND FOR THE SIX MONTHS
ENDED JUNE 30, 1998 AND 1999 IS UNAUDITED)
(IN THOUSANDS, EXCEPT PER SHARE DATA)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Organization

Packeteer, Inc. (the Company) was incorporated on January 25, 1996, to provide application-adaptive bandwidth management solutions that enhance mission-critical application performance over enterprise WANs and the Internet. The Company's solutions enable businesses and service providers to manage proactively bandwidth contention at WAN access links, protect important application traffic and increase network efficiency. The Company markets and distributes its products via a worldwide network of VARs, distributors, systems integrators and OEMs. The Company commenced principal operations in 1997. The Company is headquartered in Cupertino, California, and has wholly owned subsidiaries in Japan, Hong Kong and The Netherlands.

(b) Principles of Consolidation

The accompanying consolidated financial statements include the financial statements of the Company and its three wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

(c) Use of Estimates

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

(d) Unaudited Interim Consolidated Financial Statements

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information. In the opinion of management, the accompanying unaudited consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements, and including all adjustments, consisting only of normal recurring adjustments, necessary for the fair presentation of the Company's financial position as of June 30, 1999 and the results of its operations and its cash flows for the six months ended June 30, 1998 and 1999.

(e) Revenue Recognition

The Company recognizes product revenues, with provision made for estimated returns, after the following events have occurred: the customer issues a noncancelable purchase order; a product has been shipped to the customer; and collection of the sales price is probable.

Maintenance revenue on product sales is recognized ratably over the term of the maintenance period.

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PACKETEER, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 1996, 1997 AND 1998
(INFORMATION AS OF JUNE 30, 1999 AND FOR THE SIX MONTHS
ENDED JUNE 30, 1998 AND 1999 IS UNAUDITED)
(IN THOUSANDS, EXCEPT PER SHARE DATA)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- (CONTINUED)

For software transactions entered into after January 1, 1998, the Company

adopted the American Institute of Certified Public Accountants' (AICPA) Statement of Position (SOP) 97-2, "Software Revenue Recognition" as modified by SOP 98-9, "Modification of SOP 97-2, Software Revenue Recognition, with Respect to Certain Transactions." SOP 97-2 generally requires revenue earned on software arrangements involving multiple-elements to be allocated to each element based on its relative fair value. The fair value of the element must be based on objective evidence that is specific to the vendor. If a vendor does not have objective evidence of the fair value of all elements in a multiple-element arrangement, all revenue from the arrangement must be deferred until such evidence exists or until all elements have been delivered, unless the only undelivered element is post-contract customer support, in which case, the entire fee is recognized over the support period.

Licensing revenues relate to OEM arrangements. We recognize OEM license fees, which include post-contract customer support, when the software has been shipped to the customer, the fees are fixed and determinable and there is evidence of the fair value of the post-contract customer support. When sufficient evidence of fair value of post-contract customer support is not available, revenues are recognized ratably over the support period. We do not have sufficient evidence of fair value of post-contract customer support for our current OEM license arrangements, and therefore are recognizing the revenues for these arrangements over the support period.

Service revenue is recognized as the services are performed. To date, these amounts have not been significant.

(f) Cost of Revenues

Cost of revenues consists primarily of costs of product sales. Costs of licensing revenues, including product packaging, documentation and reproduction have not been significant. The Company provides reserves for warranty costs expected to be incurred. To date the Company has not incurred significant warranty costs.

(g) Cash, Cash Equivalents and Short-Term Investments

The Company considers all highly liquid investments with a maturity from date of purchase of three months or less to be cash equivalents. Cash and cash equivalents consist primarily of cash on deposit with banks, money market instruments, and investments in commercial paper. As of December 31, 1997 and 1998, cash equivalents total approximately \$2,141 and \$2,389, respectively.

Management determines the appropriate classification of investment securities at the time of purchase and reevaluates such designation as of each balance sheet date. As of December 31, 1997 and 1998, all investment securities are designated as "available-for-sale." Available-for-sale securities are carried at fair value based on quoted market prices, which approximates cost. The cost of securities sold is determined based on the specific identification method.

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PACKETEER, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 1996, 1997 AND 1998
(INFORMATION AS OF JUNE 30, 1999 AND FOR THE SIX MONTHS
ENDED JUNE 30, 1998 AND 1999 IS UNAUDITED)
(IN THOUSANDS, EXCEPT PER SHARE DATA)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- (CONTINUED)

(h) Inventories

Inventories are stated at the lower of cost (on a first-in, first-out basis) or market. Inventory balances represent completed products available-for-sale.

(i) Property and Equipment

Property and equipment, including leasehold improvements and equipment acquired under capital lease, are recorded at cost. Depreciation and amortization are provided using a straight-line method over the shorter of the estimated useful lives of the assets or the lease terms, generally one to four years.

The Company reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of property and equipment is measured by comparison of its carrying amount to future net cash flows the property and equipment are expected to generate. 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 property and equipment exceeds its fair market value. To date, the Company has made no adjustments to the carrying amount of its property

and equipment due to impairment.

(j) Research and Development Costs

Development costs incurred in the research and development of new products and enhancements to existing products are expensed as incurred until technological feasibility in the form of a working model has been established. To date, software developments have been completed concurrent with the establishment of technological feasibility, and, accordingly, no costs have been capitalized.

(k) Business and Concentrations of Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist primarily of cash, cash equivalents, short-term investments and accounts receivable. The Company's cash, cash equivalents and short-term investments are maintained with highly accredited financial institutions. The Company's cash equivalents are primarily in highly liquid money market funds. The Company believes no significant concentration of credit risk exists with respect to these financial instruments. Concentrations of credit risk with respect to trade receivables are limited as the Company performs ongoing credit evaluations of its customers. Based on management's evaluation of potential credit losses, the Company believes its allowances for doubtful accounts are adequate.

The Company's products, which are sold worldwide, are targeted to organizations utilizing wide area networks. Accordingly, the Company's future success depends upon the capital spending patterns of such customers and the continued demand by such customers for the Company's product. The networking industry is characterized by rapidly changing technology, evolving industry standards, changes in end-user requirements and frequent new product introductions and enhancements.

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PACKETEER, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 1996, 1997 AND 1998
(INFORMATION AS OF JUNE 30, 1999 AND FOR THE SIX MONTHS
ENDED JUNE 30, 1998 AND 1999 IS UNAUDITED)
(IN THOUSANDS, EXCEPT PER SHARE DATA)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- (CONTINUED)

The Company's continued success will depend upon its ability to enhance existing products and to develop and introduce, on a timely basis, new products and features that keep pace with technology developments and emerging industry standards. Furthermore, as a result of its international sales, the Company's operations are subject to risks of doing business abroad, including, but not limited to, export duties, changes to import and export regulations, longer payment cycles, and greater difficulty in collecting accounts receivable. While, to date, these factors have not had an adverse material impact on the Company's consolidated results of operations, there can be no assurance that there will not be such an impact in the future.

(1) Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The measurement of deferred tax assets is reduced, if necessary, by a valuation allowance for any tax benefits of which future realization is uncertain.

(m) Stock-Based Compensation

For employee stock-based compensation plans, the Company uses the intrinsic value-based method of accounting. Deferred compensation expense associated with stock-based compensation is being amortized on an accelerated basis over the vesting period of the individual award consistent with the method described in Financial Accounting Standards Board (FASB) Interpretation No. 28, Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Plans.

For non-employees, the Company computes the fair value of the stock based compensation in accordance with SFAS 123 "Accounting for Stock Based Compensation" and Emerging Issues Task Force (EITF) 96-18 "Accounting for Equity Instruments that are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services."

(n) Foreign Currency Transactions

The Company's sales to international customers are U.S. dollar-denominated. As a result, there are no foreign currency gains or losses related to these transactions.

The functional currency for the Company's foreign subsidiaries is the U.S. dollar. Accordingly, the entities remeasure monetary assets and liabilities at period-end exchange rates, while nonmonetary items are remeasured at historical rates. Income and expense accounts are remeasured at the average rates in effect during the year, except for depreciation which is remeasured at historical rates.

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PACKETEER, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 1996, 1997 AND 1998
(INFORMATION AS OF JUNE 30, 1999 AND FOR THE SIX MONTHS
ENDED JUNE 30, 1998 AND 1999 IS UNAUDITED)
(IN THOUSANDS, EXCEPT PER SHARE DATA)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- (CONTINUED)
Remeasurement adjustments and transaction gains and losses are recognized in income in the year of occurrence. To date, the effect of such amounts on net income has not been material.

(o) Other Comprehensive Income

The Company has no material components of other comprehensive income.

(p) Net Loss Per Share

Basic net loss per share is computed using the weighted-average number of vested outstanding shares of common stock. Diluted net loss per share is computed using the weighted-average number of shares of vested common stock outstanding and, when dilutive, potential common shares. Potential common shares include unvested common stock outstanding and potential common shares from options and warrants to purchase common stock using the treasury stock method, and convertible preferred stock on the as-if converted basis. All potential shares have been excluded from the computation of diluted net loss per share for all periods presented because the effect would be antidilutive. Pursuant to the SEC Staff Accounting Bulletin No. 98, common stock and convertible preferred stock issued for nominal consideration, prior to the anticipated effective date of the initial public offering, or IPO, are included in the calculation of basic and diluted net loss per share as if they were outstanding for all periods presented. To date, the Company has not had any issuances or grants for nominal consideration. Diluted net loss per share does not include the effects of the following potential common shares:

<TABLE>

<CAPTION>

	PERIOD FROM JANUARY 25, 1996 (INCEPTION) TO DECEMBER 31, 1996 -----	YEARS ENDED DECEMBER 31, -----	
		1997	1998
<S>	<C>	<C>	<C>
Shares issuable under stock options.....	704	900	1,073
Shares of unvested stock subject to repurchase.....	5,177	4,571	2,757
Shares issuable pursuant to warrants to purchase convertible preferred.....	--	42	58
Shares issuable related to convertible preferred stock on an "as-if-converted" basis.....	7,622	9,838	12,391

</TABLE>

The weighted-average exercise price of stock options outstanding was \$0.22 and \$1.90 as of December 31, 1997 and 1998, respectively. The weighted average purchase price of unvested stock was \$0.10 and \$0.34 as of December 31, 1997 and 1998, respectively. The weighted average exercise price of warrants was \$1.00 and \$1.81 as of December 31, 1997 and 1998, respectively.

(q) Financial Instruments

The carrying value of cash, cash equivalents, short-term investments, accounts receivable, accounts payable and accrued expenses approximates their estimated fair value due to the relative

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PACKETEER, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 1996, 1997 AND 1998
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1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- (CONTINUED)
short maturity of these instruments. The carrying value of long-term debt and capital lease obligations approximates carrying value based on the market interest rates available to the Company for debt of similar risk and maturities.

(r) Recent Accounting Pronouncements

The FASB recently issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives), and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. For a derivative not designated as a hedging instrument, changes in the fair value of the derivative are recognized in earnings in the period of change. The Company must adopt SFAS No. 133 by January 1, 2000. Management does not believe the adoption of SFAS No. 133 will have a material effect on the financial position or results of operations of the Company.

2. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31, 1997 and 1998:

<TABLE>
<CAPTION>

	1997	1998
	----	-----
<S>	<C>	<C>
Computers and equipment.....	\$262	\$ 262
Equipment under capital lease.....	415	1,021
Furniture and fixtures.....	39	39
Leasehold improvements.....	17	17
	----	-----
	733	1,339
Less accumulated depreciation and amortization.....	329	545
	----	-----
	\$404	\$ 794
	=====	=====

</TABLE>

Accumulated depreciation and amortization includes amortization of approximately \$31 and \$226 on equipment under capital lease as of December 31, 1997 and 1998, respectively.

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PACKETEER, INC.
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3. LEASE COMMITMENTS

The Company leases its facility and certain equipment under noncancelable lease agreements, which expire at various dates through 2002. As of December 31, 1998, the future minimum rental payments under capital and operating leases are as follows:

<TABLE>
<CAPTION>

	YEARS ENDING DECEMBER 31,	CAPITAL LEASE	OPERATING LEASE
	-----	-----	-----
<S>		<C>	<C>
1999.....		\$262	\$ 699
2000.....		262	734
2001.....		248	770
2002.....		114	773

Total future minimum lease payments.....	886	\$2,976
Less imputed interest.....	101	
Present value of future minimum lease payments under capital lease.....	785	
Less current portion.....	215	
Long-term portion.....	\$570	

</TABLE>

Rent expense for the period from January 25, 1996 (inception) to December 31, 1996 and for the years ended December 31, 1997 and 1998, was \$32, \$138 and \$616, respectively.

4. NOTE PAYABLE

The note payable, which totaled \$287 at inception, has a stated interest rate of 6.75% and is payable in 48 monthly installments of \$7 with a final balloon payment of \$34 due on June 1, 2001. The note is secured by the Company's property and equipment. The note has been discounted for warrants valued at approximately \$26 issued in connection with the note (see Note 5). The Company estimates the fair value of its fixed rate debt using discounted cash flow analysis based on the Company's current borrowing rates for similar debt.

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PACKETEER, INC.
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5. STOCKHOLDERS' EQUITY

(a) Preferred Stock

As of December 31, 1998, the Company has 13,703 shares of preferred stock authorized. As of December 31, 1997 and 1998 and June 30, 1999, the Company had designated and issued preferred stock as follows:

	DESIGNATED SHARES	OUTSTANDING SHARES			LIQUIDATION PREFERENCE
		DECEMBER 31,			
		1997	1998	JUNE 30, 1999	
Series A.....	2,800	2,800	2,800	2,800	\$0.25
Series B.....	4,864	4,822	4,822	4,822	1.00
Series C.....	2,216	2,216	2,216	2,216	2.00
Series D.....	3,823	--	2,553	2,553	3.94
	13,703	9,838	12,391	12,391	

</TABLE>

In February and April 1996, the Company issued 2,800 shares of Series A preferred stock for cash of \$0.25 per share. A total of \$693 was raised, net of issuance costs.

In September and October 1996, the Company raised an additional \$4,779, net of issuance costs, through the issuance of 4,822 shares of Series B preferred stock for cash of \$1.00 per share.

During 1997, the Company issued 2,216 shares of Series C preferred stock for cash of \$2.00 per share. A total of \$4,391 was raised, net of issuance costs.

In 1998, the Company completed another round of private financing. A total of 2,553 shares of Series D preferred stock were issued for cash of \$3.94 per share. A total of \$9,108 was raised, net of issuance costs.

The rights, preferences, and privileges of the holders of Series A, B, C, and D preferred stock are as follows:

- The holders of Series A, B, C, and D preferred stock are entitled to

receive dividends at the rate of \$0.02, \$0.08, \$0.16, and \$0.32 per share, respectively, per annum, payable when and as declared by the Company's Board of Directors, in preference and priority to any payments of dividends to holders of the Company's common stock. The dividend rights are not cumulative.

- Shares of Series A, B, C, and D preferred stock have a liquidation preference of \$0.25, \$1.00, \$2.00, and \$3.94 per share, respectively, plus any declared but unpaid dividends.
- Each holder of preferred stock has voting rights equal to common stock on an "as if converted" basis.
- Each share of preferred stock is convertible at any time into one share of common stock at the option of the holder, subject to adjustment. Each share of preferred stock automatically converts upon the closing of the sale of the Company's common stock in a public offering in

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PACKETEER, INC.
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5. STOCKHOLDERS' EQUITY -- (CONTINUED)

which the gross proceeds exceed \$15,000 and the offering price equals or exceeds \$3.75 per share for Series A, B, and C preferred stock, and \$7.39 per share for Series D preferred stock.

(b) Common Stock

The Company is authorized to issue 40,000 shares of common stock.

In January 1996, the Company issued 640 shares in exchange for cash. In January 1996, the Company also issued 5,120 shares of common stock in exchange for certain personal property, which was recorded at estimated fair value of the property and is included in property and equipment on the accompanying balance sheets. As of December 31, 1998, 747 of these shares were subject to repurchase.

In July and August 1996, the Company issued 1,759 shares of common stock upon the exercise of stock options granted under the Company's 1996 Equity Incentive Plan (the Plan). Shares issued under the Plan are subject to repurchase as described below. Of the 1,759 shares issued upon the exercise of stock options, 1,280 shares were issued in conjunction with full recourse, promissory notes secured by the shares. Of the total purchase price, 10% was paid at the time of purchase. The remaining principal, which bears interest at 6.74%, is due annually in equal installments, plus interest, through 2006.

In December 1996, the Company repurchased 160 shares of common stock at \$0.10 per share from a terminated employee in exchange for cash and forgiveness of a \$4 promissory note.

During 1997, the Company issued 1,940 shares of common stock upon the exercise of stock options granted under the Company's 1996 Equity Incentive Plan (the Plan). Shares issued under the Plan are subject to repurchase as described below under Note (5) (c). Of the 1,940 shares issued upon the exercise of stock options in 1997, 1,840 shares were issued in conjunction with full recourse, promissory notes secured by the shares. Of the total purchase price, 10% was paid at the time of purchase. The remaining principal, which bears interest at 5.6% to 6.8%, is due in annual installments, plus interest, through 2002.

In October 1997, the Company repurchased 278 shares of common stock at \$0.25 per share from two terminated employees in exchange for \$4 in cash and forgiveness of a \$3 promissory note.

In December 1997, the Company repurchased 40 shares of common stock at \$0.10 per share from a terminated employee in exchange for cash and forgiveness of a \$3 promissory note.

During 1998, the Company issued 1,048 shares of common stock upon the exercise of stock options and stock purchase rights. Of the 1,048 shares issued upon the exercise of stock options, 1,042 shares were issued in conjunction with full recourse, promissory notes secured by the shares. Of the total purchase price, 10% was paid at the time of purchase. The remaining principal, which bears interest at 5.5% to 6.5%, is due in annual installments, plus interest, through 2003.

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PACKETEER, INC.
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5. STOCKHOLDERS' EQUITY -- (CONTINUED)

During 1998, the Company granted rights to purchase 202 shares of common stock. These rights, which were not granted under the Plan, have exercise prices ranging from \$0.25 to \$3.50 per share. At the date of grant, the Company estimated the fair value of the rights to be \$5 using the Black-Scholes model with the following assumptions: risk free interest rate of 4.5%; an expected life of four years; expected volatility of 50%; and no dividend.

During 1998, the Company repurchased 306 shares of common stock at \$0.10 to \$0.50 per share from terminated employees in exchange for \$12 in cash and forgiveness of \$52 in promissory notes.

(c) Equity Incentive Plan

The Company has adopted the Plan in order to provide selected employees, directors, and consultants of the Company an opportunity to acquire the Company's common stock. The Plan provides for granting of incentive stock options, nonstatutory stock options, stock bonuses, and restricted stock purchase rights. The Plan is administered by the Board of Directors, which sets the terms and conditions of the options. Nonstatutory stock options and incentive stock options are exercisable at prices not less than 85% and 100%, respectively, of the fair value on the date of grant. The options become 25% vested one year after the date of grant with 1/48 per month vesting thereafter and expire at the end of 10 years from date of grant or sooner if terminated by the Board of Directors. The options may include a provision whereby the option holder may elect at any time to exercise the option prior to the full vesting of the option. Unvested shares so purchased shall be subject to a repurchase right by the Company at the original purchase price. Such right shall lapse at a rate equivalent to the vesting period of the original option. As of December 31, 1998, 2,010 shares were subject to repurchase. During 1997, the Board of Directors reserved 953 shares for issuance under the Plan, and 318 shares were made available through the repurchase of certain shares. In 1998, the Board of Directors reserved an additional 2,025 shares for issuance under the Plan, and 306 shares were made available through the repurchase of certain shares, as noted above.

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PACKETEER, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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(IN THOUSANDS, EXCEPT PER SHARE DATA)

5. STOCKHOLDERS' EQUITY -- (CONTINUED)

A summary of stock option activity follows:

<TABLE>

<CAPTION>

	AVAILABLE FOR GRANT	OPTIONS OUTSTANDING	
		NUMBER OF SHARES	WEIGHTED-AVERAGE EXERCISE PRICE
<S>	<C>	<C>	<C>
Shares made available for grant.....	3,440	--	\$ --
Repurchased.....	160	--	--
Granted.....	(2,463)	2,463	0.05
Exercised.....	--	(1,759)	0.03
	-----	-----	
Balances as of December 31, 1996.....	1,137	704	0.10
Shares made available for grant.....	953	--	--
Repurchased.....	318	--	--
Granted.....	(2,480)	2,480	0.17
Exercised.....	--	(1,940)	0.13
Canceled.....	344	(344)	0.16
	-----	-----	
Balances as of December 31, 1997.....	272	900	0.22
Shares made available for grant.....	2,025	--	--
Repurchased.....	306	--	--
Granted.....	(1,300)	1,300	1.96

Exercised.....	--	(1,042)	0.59
Canceled.....	85	(85)	1.02
	-----	-----	
Balances as of December 31, 1998.....	1,388	1,073	1.90
Shares made available for grant (unaudited)....	515	--	--
Repurchased (unaudited).....	17	--	--
Granted (unaudited).....	(1,503)	1,503	4.18
Exercised (unaudited).....	--	(53)	3.99
Cancelled (unaudited).....	16	(16)	3.23
	-----	-----	
Balances as of June 30, 1999.....	433	2,507	\$3.21
	=====	=====	

</TABLE>

The per share weighted-average fair value of stock options granted during 1996, 1997 and 1998 was \$0.01, \$0.04 and \$0.90, respectively, on the date of grant using the minimum value method with the following weighted-average assumptions: risk free interest rate of 6.8%, 6.5% and 4.5% in 1996, 1997 and 1998, respectively; an expected life of four years; and no dividends.

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PACKETEER, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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(IN THOUSANDS, EXCEPT PER SHARE DATA)

5. STOCKHOLDERS' EQUITY -- (CONTINUED)

The following table summarizes information about stock options outstanding under the Plan as of December 31, 1998:

<TABLE>

<CAPTION>

OPTIONS OUTSTANDING

RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)		NUMBER VESTED
<S>	<C>	<C>	<C>	
\$0.10.....	128	7.94		57
0.25.....	182	8.73		48
0.50.....	77	9.15		--
1.50.....	148	9.36		--
2.50.....	163	9.54		--
3.50.....	375	9.77		--
	-----			----
	1,073			105
	=====			===

</TABLE>

As of December 31, 1998, 105 options with a weighted-average exercise price of \$0.17 were vested.

The weighted-average fair value of stock options granted during 1996, 1997 and 1998 with an exercise price equal to the fair value of the Company's common stock on the date of grant was \$0.05, \$0.17 and \$0.73 per share. Stock options granted during 1998 with an exercise price below the deemed fair value of the Company's common stock on the date of grant had a weighted-average exercise price of \$2.65 per share and a weighted-average fair value of \$3.61 per share. In connection with options granted in fiscal year 1998 and during the six months ended June 30, 1999, the Company has recorded deferred stock-based compensation of \$787 and \$3,914 (unaudited), respectively, representing the difference between the exercise price and the fair value of the Company's common stock at the date of grant. The amount is being amortized over the vesting period for the individual options. Amortization of stock-based compensation of \$273 was recognized during the year ended December 31, 1998 and was \$1,163 (unaudited) during the six months ended June 30, 1999.

Pursuant to SFAS No. 123, the Company is required to disclose the pro forma effects on the operating results of the Company as if the Company has elected to use the fair value approach to account for all its stock-based employee compensation plans. Had compensation costs for the Company's Plans been determined consistent with the fair value approach enumerated in SFAS

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PACKETEER, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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5. STOCKHOLDERS' EQUITY -- (CONTINUED)

No. 123, net losses for the period from January 25, 1996 (inception) to December 31, 1996 and for the years ended December 31, 1997 and 1998 would have been as follows:

<TABLE>
 <CAPTION>

	PERIOD FROM JANUARY 25, 1996 TO DECEMBER 31, 1996	YEARS ENDED DECEMBER 31,	
		1997	1998
<S>	<C>	<C>	<C>
Net loss applicable to common stock as reported.....	\$ (1,237)	\$ (5,909)	\$ (8,799)
Pro forma net loss applicable to common stock.....	\$ (1,239)	\$ (5,934)	\$ (8,854)
Basic and diluted net loss per share as reported.....	\$ (1.28)	\$ (1.82)	\$ (1.54)
Basic and diluted pro forma net loss per share.....	\$ (1.28)	\$ (1.82)	\$ (1.55)

</TABLE>

(d) Warrants

In June 1997, the Company issued a warrant in connection with a leasing agreement to purchase 42 shares of Series B preferred stock at \$1.00 per share. The warrant is immediately exercisable and expires in June 2005. At the date of grant, the Company estimated the fair value of the warrant to be \$26 using the Black-Scholes model with the following assumptions: risk free interest rate of 6%; an expected life of eight years; expected volatility of 50%; and no dividends.

In 1998, the Company issued a warrant in connection with a leasing agreement to purchase 16 shares of Series D preferred stock at \$3.94 per share. The warrant is immediately exercisable and expires in June 2006. At the date of grant, the Company estimated the fair value of the warrant to be \$38 using the Black-Scholes model with the following assumptions: risk free interest rate of 5%; an expected life of eight years; expected volatility of 50%; and no dividends.

6. INCOME TAXES

The differences between the income tax expense (benefit) computed at the federal statutory rate of 34% and the Company's actual income tax expense (benefit) for the periods presented are as follows:

<TABLE>
 <CAPTION>

	PERIOD FROM		
	JANUARY 25, 1996 TO DECEMBER 31, 1996	1997	1998
<S>	<C>	<C>	<C>
Expected income tax expense.....	(421)	(2,009)	(2,992)
Net operating losses not benefited.....	421	2,009	2,992
Income tax expense (benefit).....	0	0	0

</TABLE>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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6. INCOME TAXES -- (CONTINUED)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities as of December 31, 1997 and 1998, are presented below:

<TABLE>
<CAPTION>

	1997	1998
	-----	-----
<S>	<C>	<C>
Deferred tax assets:		
Various accruals and reserves not deductible for tax purposes.....	\$ 59	\$ 264
Property and equipment.....	90	97
Net operating loss carryover.....	2,528	5,759
Research credit carryforwards.....	146	255
Capitalized start-up expenditures.....	376	315
Deferred stock-based compensation.....	--	215
	-----	-----
Total deferred tax assets.....	3,199	6,905
Valuation allowance.....	(3,199)	(6,905)
	-----	-----
Net deferred tax assets.....	\$ --	\$ --
	=====	=====

</TABLE>

As of December 31, 1998, the Company has net operating loss carryforwards for federal and California state income tax purposes of approximately \$13,790 and \$12,113, respectively. In addition, the Company had federal and state research credit carryforwards of approximately \$142 and \$112, respectively. The Company's federal net operating loss and research credit carryforwards will expire in the years 2010 through 2018, if not utilized. The Company's state net operating loss carryforwards will expire in the year 2004. The state research credit can be carried forward indefinitely.

Federal and state tax laws impose substantial restrictions on the utilization of net operating loss and tax credit carryforwards in the event of an "ownership change" as defined in Internal Revenue Code Section 382. The Company has not yet determined whether an ownership change has occurred.

7. 401(k) PLAN

In 1997, the Company adopted a 401(k) plan (the 401(k)). Participation in the 401(k) is available to all employees. Entry date to the 401(k) is the first day of each month. Each participant may elect to contribute an amount up to 20% of his or her annual base salary plus commission and bonus, but not to exceed the statutory limit as prescribed by the Internal Revenue Code. The Company may make discretionary contributions to the 401(k). To date, no contributions have been made by the Company.

8. SEGMENT REPORTING

The Company has adopted the provisions of SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." The Company's chief operating decision maker is considered to be the Company's CEO. The CEO reviews financial information presented on a consolidated basis substantially similar to the consolidated financial statements. Therefore, the Company has concluded

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PACKETEER, INC.
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8. SEGMENT REPORTING -- (CONTINUED)

that it operates in one segment and accordingly has provided only the required enterprise-wide disclosures.

The Company operates in the United States and internationally and derives its revenue from the sale of products and software licenses. In 1997 and 1998, the Company's sales, marketing, and development efforts have been focused on the PacketShaper family of products and PacketWise software. Sales outside of North America accounted for 59.9% and 54.7% of the Company's total revenues in 1997 and 1998, respectively.

Geographic Information

<TABLE>
<CAPTION>

YEARS ENDED DECEMBER 31,	

1997	1998

<S>	<C>	<C>
Total net revenues:		
North America.....	\$ 566	\$3,273
Asia Pacific.....	617	2,238
Europe and rest of world.....	230	1,719
	-----	-----
Total net revenues.....	\$1,413	\$7,230
	=====	=====

</TABLE>

Total net revenues reflects the destination of the product shipped.

Long-lived assets are primarily located in North America. Long-lived assets located outside North America are insignificant.

In 1997 and 1998, sales to Macnica, accounted for 14.2% and 11.9%, respectively, of the Company's total revenues. Also in 1997, sales to Nissho Electronics Corporation accounted for 10.4% of the Company's total revenues. No other single customer accounted for greater than 10% of the Company's total revenues in 1997 or 1998.

9. SUBSEQUENT EVENTS

Revolving Loan Agreement

In January 1999, the Company entered into a revolving loan agreement with a maximum line of \$3,000. Advances are limited to the lesser of the maximum line or the borrowing base which is 80% of eligible receivables. The outstanding principal balance accrues interest at a per annum rate equal to the prime rate and is secured by all present and future collateral of the Company.

Subordinated Loan Agreement

Additionally, in January 1999, the Company entered into a subordinated loan agreement evidenced by a promissory note of \$2,500, that is secured by the assets of the Company. The note has a stated interest rate of 12.25% and is payable in 36 monthly installments of various amounts with the final installment due on February 1, 2002. In connection with the note, the Company issued a warrant

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PACKETEER, INC.
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9. SUBSEQUENT EVENTS -- (CONTINUED)

to purchase 98 shares of Series D preferred stock at \$3.58 per share. The warrant is immediately exercisable and expires in January 2006. The Company estimated the fair value of the warrant on the grant date to be \$211 using the Black-Scholes model with the following assumptions: risk-free interest rate of 4.5%; an expected life of seven years; expected volatility of 50%; and no dividends. The Company will amortize the value to interest expense over the term of the note.

Initial Public Offering and Unaudited Pro Forma Consolidated Balance Sheet

In May 1999, the Board of Directors authorized the filing of a registration statement with the SEC, that would permit the Company to sell shares of the Company's common stock in connection with a proposed IPO. If the offering is consummated under the terms presently anticipated, all of the outstanding shares of the Company's convertible preferred stock will automatically convert into shares of common stock upon closing of the proposed IPO. The conversion of the convertible preferred stock has been reflected in the accompanying unaudited pro forma consolidated balance sheet.

1999 Stock Incentive Plan

In May 1999, the Company's Board of Directors approved the 1999 Stock Incentive Plan under which 900 shares have been reserved for issuance. In addition, any shares not issued under the 1996 Equity Incentive Plan will also be available for grant. The number of shares reserved under the 1999 Stock Incentive Plan will automatically increase annually beginning on January 1, 2000 by the lesser of 3,000 shares or 5% of the total number of shares of common stock outstanding. Under the 1999 Stock Incentive Plan, eligible individuals may be granted options to purchase common shares or may be issued shares of common stock directly.

1999 Employee Stock Purchase Plan

The Company's Board of Directors adopted the 1999 Employee Stock Purchase Plan (the "Purchase Plan") in May 1999. The Purchase Plan is pending approval by the stockholders. A total of 500 shares have been reserved for issuance. The number of shares reserved will automatically increase annually beginning on January 1, 2000 by the lesser of 1,000 or 2% of the total number of common stock shares outstanding.

Loan and Security Agreement (Unaudited)

In May 1999, the Company entered into a loan and security agreement evidenced by a secured promissory note of \$2,500. The note has a stated interest rate of 12.76% with interest-only payments due monthly. The final interest and principal payment is due in May 2000. In connection with the note, the Company issued a warrant to purchase 45 shares of Series D preferred stock at \$6.25 per share. The warrant is immediately exercisable and expires in May 2009. The Company estimated the fair value of the warrant on the grant date to be \$157 using the Black-Scholes model. The Company will amortize the value to interest expense over the term of the note.

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DESCRIPTION OF ARTWORK

INSIDE FRONT COVER

Centered at the top of the Inside Cover, is the caption, "Shaping the Internet for Business. Packeteer provides bandwidth management solutions that enhance the performance of applications critical to a customer's business which run over enterprise wide-area networks and the Internet. This is accomplished using a comprehensive 4-step process."

Under the caption is a circle consisting of four large arrows pointing in a clockwise direction. In the middle of the circle is the Packeteer logo. Embedded in the stem of each arrow is one word reading as follows beginning with the arrow in the upper left section of the circle: "Classify", "Analyze", "Control" and "Report." At the outside of each arrow is a caption and a quotation. Outside the arrow embedded with the word "Classify" is the caption, "Discover & Classify Traffic" followed by the words, "Identifying the types of network traffic competing for limited bandwidth is the first step toward solving the problem. Packeteer discovers and classifies traffic, often exposing applications our customers do not even realize were sneaking onto their networks." Outside the arrow embedded with the word, "Analyze" is the caption, "Analyze Network Behavior" followed by the words, "Packeteer technology shows how limited bandwidth is consumed. When customers realize that a majority of their bandwidth is being devoured by casual web browsing, it becomes obvious why critical applications move so slowly." Outside the arrow embedded with the word "Control" is the caption, "Control Bandwidth Allocation" followed by the words, "Packeteer enables customers to protect the performance of critical applications with bandwidth policies. Control less important traffic while giving voice and video streams the bandwidth they require for clear reception. Outside the arrow embedded with the word "Report" is the caption "Report on Performance" followed by the words "Packeteer's graphs and reports prove to internal and external customers that applications continue to perform despite a constantly growing network. If an application becomes too slow, customers can set a policy to protect the application and keep employees productive."

At the bottom of the Inside Cover is a picture of three PacketShapers next to the words, "PacketShaper 1000, 2000 & 4000. Packeteer's stand-alone bandwidth management solutions. PacketWise embedded technology for OEMs," followed by the PacketWise logo.

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BACK INSIDE COVER

The back inside cover has a caption reading, "Take Control of Your Network. Packeteer's PacketShaper is controlled and monitored through a web-browser interface that enables network managers with a password to configure, control and monitor the PacketShaper from anywhere via a network connection. Some sample screens are shown." On the remainder of the page are five overlapping computer screenshots displaying various reports on Internet traffic produced by the PacketWise software.

Below are two cutaway diagrams of bandwidth cable. The left diagram, entitled "Before PacketShaper," illustrates how the use of bandwidth for "Heavy Web traffic" causes the performance of "Mission-Critical Applications" to suffer. The right diagram, entitled "After PacketShaper," illustrates guaranteed bandwidth for Mission-Critical Applications regardless of how heavy Web traffic is.

BACK COVER

Packeteer logo.

DIAGRAM OF BOTTLENECK FIGURE ON PAGE 32 OF PROSPECTUS

A diagram entitled "Bandwidth Bottleneck" shows an hourglass shape lying on its side. On the left end of the diagram are wide lines which narrow into very thin lines through the center of the hourglass and then become wider again as the hourglass becomes wider to the right. Above the left end of the diagram is the caption "Enterprise Local Area Network" and below the diagram is the caption "10/100/1000 Ethernet Growing." Above the middle of the hourglass is the caption "WAN Access Link" and below is the caption "56K -- 1.5 Mbps." Above the right of the hourglass is the caption "Service Provider Backbone Network" and below is the caption "OC-3, OC-12, OC-192 & Growing."

DIAGRAM OF NETWORK TOPOLOGY DIAGRAM ON PAGE 37 OF PROSPECTUS

On the left are three pictures. The first two are computers with the captions "Web Server" and "File Server", respectively. The third is a cloud-like shape representing the "Enterprise Local Area Network." Lines from each of the above converge to a box to the right with the words "PacketShaper 2000" above it. To the right of the PacketShaper 2000, and connected by a line, is a circular depiction of a router entitled "Internet Access Router." To the right of the router and connected to it by a line is a cloud-shaped representation of the Internet. Running from the top of the Internet is a line connecting to another "Internet Access Router." Such line continues above the router to a box representing a "PacketShaper 4000." Splitting off from the PacketShaper 4000 are two lines, each running to a graphic depiction of a computer next to the caption "ISP Web Server Farm." Running from the cloud-like depiction of the Internet are four lines, each connected to a graphic depiction of a computer labeled, from top to bottom, as follows: "28.8 Modem Low-Speed User", "T-1 High-Speed User", "ISDN/xDSL Mid-Speed User" and "14.4 Modem Low-Speed User."

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LOGO

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, payable by Packeteer in connection with the sale of Common Stock being registered. All amounts are estimates except the SEC registration fee and the NASD filing fees.

<TABLE> <S>	<C>
SEC Registration Fee.....	\$ 17,904
NASD Filing Fee.....	6,990
Nasdaq National Market Listing Fee.....	66,710
Printing and Engraving Expenses.....	175,000
Legal Fees and Expenses of Packeteer.....	400,000
Accounting Fees and Expenses.....	350,000
Blue Sky Fees and Expenses.....	5,000
Transfer Agent Fees.....	8,000
Miscellaneous.....	20,446

Total.....	\$1,050,000
	=====

</TABLE>

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 145 of the Delaware General Corporation Law authorizes a court to award or a corporation's Board of Directors to grant indemnification to directors and officers in terms sufficiently broad to permit such indemnification under certain circumstances for liabilities (including reimbursement for expenses incurred) arising under the Securities Act of 1933, as amended (the "Securities Act"). Packeteer's Bylaws provide for mandatory indemnification of its directors and officers and permissible indemnification of employees and other agents to the maximum extent permitted by the Delaware General Corporation Law. Packeteer's Certificate of Incorporation provides that, subject to Delaware law, its directors shall not be personally liable for monetary damages for breach of the directors' fiduciary duty as directors to Packeteer and its stockholders. This provision in the Certificate of Incorporation does not eliminate the directors' fiduciary duty, and in appropriate circumstances equitable remedies such as injunctive or other forms

of non-monetary relief will remain available under Delaware law. In addition, each director will continue to be subject to liability for breach of the director's duty of loyalty to Packeteer or its stockholders for acts or omissions not in good faith or involving intentional misconduct, for knowing violations of law, for actions leading to improper personal benefit to the director, and for payment of dividends or approval of stock repurchases or redemptions that are unlawful under Delaware law. The provision also does not affect a director's responsibilities under any other law, such as the federal securities laws or state or federal environmental laws. Packeteer has entered into indemnification agreements with its officers and directors, a form of which is filed as Exhibit 10 to this Registration Statement (the "Indemnification Agreements"). The Indemnification Agreements provide Packeteer's officers and directors with further indemnification to the maximum extent permitted by the Delaware General Corporation Law. Reference is also made to Section 6 of the Underwriting Agreement contained in Exhibit 1.1 hereto, indemnifying officers and directors of Packeteer against certain liabilities, and Section 3.7 of the Amended and Restated Investors' Rights Agreement contained in Exhibit 4.2 hereto, indemnifying certain of Packeteer's stockholders, including controlling stockholders, against certain liabilities.

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ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

Since January 25, 1996, Packeteer has issued and sold the following securities:

1. Packeteer issued and sold 4,788,050 shares of its Common Stock to employees and consultants for an aggregate purchase price of \$1,064,820 pursuant to the exercise of options under its 1996 Equity Incentive Plan (Exhibit 10.8).
2. On February 14, 1996 and April 26, 1996, Packeteer issued 2,800,000 shares of its Series A Preferred Stock, for an aggregate purchase price of \$700,000 to several investors.
3. On September 12, 1996 and October 4, 1996, Packeteer issued and sold an aggregate of 4,821,860 shares of its Series B Preferred Stock for an aggregate purchase price of \$4,821,860 to several investors.
4. On June 19, 1997 and July 18, 1997, Packeteer issued and sold an aggregate of 2,216,320 shares of its Series C Preferred Stock for an aggregate purchase price of \$4,432,640 to several investors.
5. On April 16, 1998 and July 15, 1998, Packeteer issued and sold an aggregate of 2,552,821 shares of its Series D Preferred Stock for an aggregate purchase price of \$10,058,115 to several investors.
6. On June 3, 1997, Packeteer issued warrants to purchase 42,000 shares of its Series B Preferred Stock, at an exercise price of \$1.00 per share and on June 16, 1998 Packeteer issued warrants to purchase 15,863 shares of its Series D Preferred Stock, at an exercise price of \$3.94 per share, to Comdisco Inc. in connection with an equipment leasing transaction.
7. On January 21, 1999, in connection with a subordinated loan and security agreement, Packeteer issued warrants to purchase 97,765 shares of its Series D Preferred Stock, at an exercise price of \$3.58 per share, to Comdisco Inc.
8. On May 24, 1999, Packeteer issued warrants to purchase 45,000 shares of Series D Preferred Stock at an exercise price of \$6.25 per share, to Meier Mitchell.

The issuances described in paragraph 1 were deemed exempt from registration under the Securities Act in reliance upon Rule 701 promulgated under the Securities Act. The issuances of the securities described in paragraphs 2 through 7 were deemed to be exempt from registration under the Act in reliance on Section 4(2) of the Act as transactions by an issuer not involving any public offering. In addition, the recipients of securities in each such transaction represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the share certificates issued in such transactions. All recipients had adequate access, through their relationships with Packeteer, to information about Packeteer.

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ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The exhibits and schedule listed in the Exhibit Index and Schedule are

filed as part of this Registration Statement.

(a) EXHIBITS

EXHIBIT NUMBER	EXHIBIT TITLE
<S>	<C>
1.1**	Form of Underwriting Agreement by and among the Registrant, BancBoston Robertson Stephens Inc., Bear, Stearns & Co. Inc. and Dain Rauscher Wessels, a division of Dain Rauscher Incorporated.
3.1**	Registrant's Amended and Restated Certificate of Incorporation.
3.2**	Registrant's Amended and Restated Bylaws.
4.1**	Form of Registrant's Specimen Common Stock Certificate.
4.2**	Amended and Restated Investors' Rights Agreement, among the Registrant and the investors and founders named therein, dated as of April 16, 1998.
5.1**	Legal Opinion of Brobeck, Phleger & Harrison LLP, counsel for the Registrant.
10.1**	Lease Agreement between Packeteer and Eldon R. Hoffman dated August 25, 1997.
10.2+	OEM Agreement between Packeteer and ADC Telecommunications, Inc., dated December 17, 1998.
10.3+	Reseller Agreement between Packeteer and Alcatel Business Systems, dated May 7, 1999.
10.4**	Loan and Security Agreement between Packeteer and Silicon Valley Bank, dated January 1, 1999.
10.5**	Export-Import Bank Loan and Security Agreement between Packeteer and Silicon Valley Bank, dated January 19, 1999.
10.6**	Subordinated Loan and Security Agreement between Packeteer and Comdisco, Inc., dated January 21, 1999.
10.7**	Master Lease Agreement between Packeteer and Comdisco, Inc., dated June 3, 1997.
10.8**	Registrant's 1996 Equity Incentive Plan.
10.9**	Registrant's 1999 Stock Incentive Plan.
10.10**	Registrant's 1999 Employee Stock Purchase Plan.
10.11**	Form of Indemnity Agreement entered into by Registrant with each of its executive officers and directors.
10.12+**	Loan and Security Agreement between Packeteer and MMC/GATX Partnership No. 1 dated May 20, 1999.
10.13+	OEM Agreement between Packeteer and Lucent Technologies, Inc. dated June 25, 1999.
10.14+	OEM Agreement between Packeteer and Adtran, Inc. dated June 29, 1999.
21.1**	Subsidiaries.
23.1	Independent Auditors' Consent and Report on Schedule.
23.2**	Consent of Counsel (see Exhibit 5.1).
24.1**	Power of Attorney.
27.1**	Financial Data Schedule.

</TABLE>

** Previously filed.

+ Confidential treatment has been requested as to portions of this exhibit.

(b) SCHEDULES

Schedule II -- Valuation and Qualifying Accounts and Reserves

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ITEM 17. UNDERTAKINGS

Packeteer hereby undertakes to provide to the Underwriters at the closing specified in the Underwriting Agreement, certificates in such denominations and registered in such names as required by the Underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of Packeteer pursuant to the Delaware General Corporation Law, the Certificate of Incorporation or the Bylaws of Packeteer, Indemnification Agreements entered into between Packeteer and its officers and directors, the Underwriting Agreement, or otherwise, Packeteer has been advised that in the opinion of the Securities and Exchange 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 Packeteer of expenses incurred or paid by a director, officer, or controlling person of Packeteer 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 hereunder, Packeteer 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 of 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.

The undersigned registrant hereby undertakes:

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

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

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PACKETEER, INC.
AND SUBSIDIARIES

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
PERIOD FROM JANUARY 25, 1996 (INCEPTION) TO DECEMBER 31, 1996 AND
FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1998
(IN THOUSANDS)

<TABLE>
<CAPTION>

	BALANCE AT BEGINNING OF PERIOD	ADDITIONS CHARGED TO COSTS AND EXPENSES	DEDUCTIONS	BALANCE AT END OF PERIOD
<S>	<C>	<C>	<C>	<C>
1996				
Accounts Receivable Allowances.....	\$--	\$ --	\$ --	\$ --
Warranty Reserve.....	--	--	--	--
1997				
Accounts Receivable Allowances.....	--	37	--	37
Warranty Reserve.....	--	32	--	32
1998				
Accounts Receivable Allowances.....	37	305	(49)	293
Warranty Reserve.....	32	85	(41)	76

</TABLE>

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant certifies that it has reasonable grounds to believe that it meets all the requirements for filing on Form S-1 and has duly caused this Amendment No. 3 to Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Cupertino, State of California, on this 27th day of July, 1999.

PACKETEER, INC.

By: /s/ DAVID YNTEMA

David Yntema
Chief Financial Officer and Secretary

POWER OF ATTORNEY

Pursuant to the requirements of the Securities Act of 1933, as amended, this Amendment No. 3 to Registration Statement has been signed by the persons whose signatures appear below, which persons have signed such Amendment No. 3 to Registration Statement in the capacities and on the dates indicated:

SIGNATURE	TITLE	DATE
* ----- Craig Elliott	<S> President and Chief Executive Officer (Principal Executive Officer) and Director	<C> July 27, 1999
/s/ DAVID YNTEMA ----- David Yntema	Chief Financial Officer and Secretary (Principal Financial and Accounting Officer)	July 27, 1999
* ----- Robert Packer	Chief Technical Officer and Director	July 27, 1999
* ----- Brett Galloway	Vice President, Engineering, Chief Operating Officer and Director	July 27, 1999
* ----- Steven Campbell	Director	July 27, 1999
* ----- Joseph Graziano	Director	July 27, 1999
* ----- Peter Morris	Director	July 27, 1999

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SIGNATURE	TITLE	DATE
* ----- William Stensrud	<S> Director	<C> July 27, 1999
By: /s/ DAVID YNTEMA ----- David Yntema Attorney-in-fact		

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EXHIBIT INDEX

EXHIBIT NUMBER	EXHIBIT TITLE
<S> 1.1**	<C> Form of Underwriting Agreement by and among the Registrant, BancBoston Robertson Stephens Inc., Bear, Stearns & Co. Inc. and Dain Rauscher Wessels, a division of Dain Rauscher Incorporated.
3.1**	Registrant's Amended and Restated Certificate of Incorporation.
3.2**	Registrant's Amended and Restated Bylaws.
4.1**	Form of Registrant's Specimen Common Stock Certificate.
4.2**	Amended and Restated Investors' Rights Agreement, among the Registrant and the investors and founders named therein, dated July 15, 1998.
5.1**	Legal Opinion of Brobeck, Phleger & Harrison LLP, counsel for the Registrant.

10.1** Lease Agreement between Packeteer and Eldon R. Hoffman dated August 25, 1997.
10.2+ OEM Agreement between Packeteer and ADC Telecommunications, Inc., dated December 17, 1998.
10.3+ Reseller Agreement between Packeteer and Alcatel Business Systems, dated May 7, 1999.
10.4** Loan and Security Agreement between Packeteer and Silicon Valley Bank, dated January 1, 1999.
10.5** Export-Import Bank Loan and Security Agreement between Packeteer and Silicon Valley Bank, dated January 19, 1999.
10.6** Subordinated Loan and Security Agreement between Packeteer and Comdisco, Inc., dated January 21, 1999.
10.7** Master Lease Agreement between Packeteer and Comdisco, Inc., dated June 3, 1997.
10.8** Registrant's 1996 Equity Incentive Plan.
10.9** Registrant's 1999 Stock Incentive Plan.
10.10** Registrant's 1999 Employee Stock Purchase Plan.
10.11** Form of Indemnification Agreement entered into by Registrant with each of its executive officers and directors.
10.12+** Loan and Security Agreement between Packeteer and MMC/GATX Partnership No. 1 dated May 20, 1999.
10.13+ OEM Agreement between Packeteer and Lucent Technologies, Inc. dated June 25, 1999.
10.14+ OEM Agreement between Packeteer and Adtran, Inc. dated June 29, 1999.
21.1** Subsidiaries.
23.1 Independent Auditors' Consent and Report on Schedule.
23.2** Consent of Counsel (see Exhibit 5.1).
24.1** Power of Attorney (see page II-6).
27.1** Financial Data Schedule.
</TABLE>

** Previously filed.

+ Confidential treatment has been requested as to portions of this exhibit.

PACKETEER, INC.
OEM AGREEMENT

AGREEMENT NO. 2080

THIS OEM AGREEMENT (the "Agreement") is entered into as of this 17 day of December, 1998 (the "Effective Date"), by and between PACKETEER, INC., a Delaware corporation having its principal place of business at 10495 N. De Anza Blvd., Cupertino, CA 95014 (together with any Affiliates, "Packeteer"), and ADC TELECOMMUNICATIONS, INC., a Minnesota corporation having its principal place of business at 12501 Whitewater Drive, Minnetonka, MN 55343 (together with any Affiliates, "ADC").

RECITALS

Packeteer is engaged in the design and manufacture of certain products, incorporating both hardware and software elements, which products are utilized in the allocation of bandwidth on wide area network access lines, and related products.

ADC is engaged in the design and manufacture of certain products, incorporating both hardware and software elements, which products are utilized in networks.

ADC desires to port Packeteer's software to ADC's platform, and to incorporate additional ADC software and hardware elements to create an enhanced WAN access product and to distribute such product.

Accordingly, the parties agree as follows:

1. DEFINITIONS

1.1 "AFFILIATE" means an entity controlling, controlled by, or under common control with a party, such control being exercised through ownership or control, directly or indirectly, of 50% or more of the voting power of the shares.

1.2 "ADC PRODUCT" means ADC's product that incorporates the Ported Software, and which provides all the functionality detailed in ATTACHMENT F ("Specifications for ADC Product"), and no greater or lesser functionality than that detailed therein. In addition to the Ported Software, the ADC Product includes the following components:

1.2.1 "ADC SOFTWARE" means the software portion of the ADC Product (other than the Ported Software) developed by or for ADC. The ADC Software has been partially developed as of the Effective Date. The ADC Software will be integrated with Packeteer Software only through the Packeteer API.

1.2.2. "ADC HARDWARE" means the hardware portion of the ADC Product developed by or for ADC.

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1.3 PACKAGES. The Packeteer Software comprises a single OEM software component that includes the following packaging options:

1.3.1 "APPLICATION DISCOVERY SOFTWARE PACKAGE" (SHAPING OFF MODE) means the Packeteer Software as enabled only for analyzing network traffic flow and usage and for measuring information related to the network traffic flow, as described in the PacketShaper/ADC OEM Deliverables document referenced in ATTACHMENT A ("Packeteer Software").

1.3.1 "RATE CONTROL SOFTWARE PACKAGE" (SHAPING ON/OFF MODE) means the Packeteer Software as enabled for analyzing network traffic flow and usage and for prioritizing packets and limiting/controlling partitions that specify minimum and maximum levels for aggregate traffic classes, as described in the PacketShaper/ADC OEM Deliverables document referenced in ATTACHMENT A ("Packeteer Software").

1.4 "PACKETEER DOCUMENTATION" means the training manuals and end user manuals supplied to ADC by Packeteer relating to the Packeteer Software.

1.5 "PACKETEER SOFTWARE" means that software listed as "Packeteer Software" in ATTACHMENT A ("Packeteer Software"), and any Updates thereto provided under this Agreement. The Packeteer Software includes the following components:

1.5.1 "PACKETEER SOFTWARE SOURCE" means the human-readable source code for the Packeteer Software. The Packeteer Software Source does not include any third party software or materials which Packeteer is unable to sublicense in source code form.

1.5.2 "PACKETEER SOFTWARE INFORMATION" means supporting information provided by Packeteer to enable a programmer reasonably skilled in the art to make use of the Packeteer Software source.

1.5.3 "PACKETEER API" means an application programming interface developed by Packeteer to permit third party software (such as the ADC Software) to call certain documented functions in the Packeteer Software. The Packeteer API is described in detail in ATTACHMENT B ("PacketShaper: OEM Software Porting Guide"), (the "PACKETSHAPER PORTING GUIDE" document, Revision 1.10, dated 11/9/98).

1.6 "PORTED SOFTWARE" means the software, in object code form only, resulting from ADC's porting and compilation of the Packeteer Software Source and the Packeteer API to the ADC platform.

1.7 "SOURCE CODE SITES" means those geographic locations at which ADC may access, store and use the Packeteer Software Source and that are specified in ATTACHMENT H ("Source Code Sites"). The Source Code Sites may be changed, or other sites added, upon mutual written agreement of the parties, where Packeteer's approval will remain in its sole discretion.

1.8 "UPDATES" means those additions, modifications, error corrections, bug fixes, enhancements, updates, upgrades, future versions and any derivative works made by Packeteer (or by a third party on Packeteer's behalf) to the Packeteer Software (or any component thereof)

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and made generally commercially available by Packeteer. Updates is not meant to include other modules or plug-ins which have unique characteristics for specific markets and that are designed to be used in connection with the feature set (and no more than the feature set) of the Packeteer Software provided to ADC in accordance with ATTACHMENT A ("Packeteer Software").

2. LICENSE GRANTS

2.1 LIMITED SOURCE CODE LICENSE. Subject to the terms and conditions of this Agreement, Packeteer hereby grants to ADC a non-exclusive, non-transferable license to use the Packeteer Software Source at a Source Code Site for the sole purpose of porting and compiling the Packeteer Software Source and Packeteer API to ADC's platform to create the Ported Software for inclusion in the ADC Product.

2.2 DISTRIBUTION LICENSE. Subject to the terms and conditions of this

Agreement, Packeteer hereby grants to ADC a non-exclusive, non-transferable, royalty-bearing license to reproduce the Ported Software and sublicense and distribute (through multiple tiers of distribution) the Ported Software solely as integrated with the ADC Product, by way of licenses to end user customers ("End User Licenses" and "End Users," respectively). Notwithstanding the foregoing, ADC will be permitted to distribute Updates to existing End Users on an unbundled basis.

2.3 EXCLUSIONS.

2.3.1 THIRD PARTY TOOLS. No license is granted hereunder to any third party development tools or other software required to replicate the Packeteer Software development environment ("Third Party Tools").

2.3.2 OTHER EXCLUDED COMPONENTS. The materials delivered may contain certain third party software excluded from the definition of Packeteer Software ("Excluded Components"). Such Excluded Components and any additional or different terms applicable thereto are described in ATTACHMENT A.

2.3.3 NO ADDITIONAL RIGHTS. ADC specifically acknowledges that, other than as expressly set forth above, no rights to the Packeteer Software are granted to ADC hereunder and there are no implied licenses under this Agreement. Without limiting the generality of the foregoing, ADC acknowledges that it has no right to modify the Packeteer Software Source or Packeteer API, and that any modification will be deemed a material breach of the Agreement. In addition to any remedies available to Packeteer for such breach, Packeteer will have no obligations to support the modified Packeteer Software or the resulting ADC Product, and ADC shall assign all rights, title and interest in any created unpermitted modifications to Packeteer. Further, ADC agrees that the ADC Software and ADC Hardware will only access the Ported Software by means of the Packeteer API (i.e., no calls will be made to the Ported Software except through the Packeteer API); breach of the foregoing will also be deemed a material breach of this Agreement. Except as expressly set forth above, ADC will have no right to sublicense or transfer the rights granted herein to any third party.

2.4 DOCUMENTATION. Subject to the terms and conditions hereof, Packeteer grants to ADC a royalty-free non-exclusive, non-transferable, sub-licensable license to localize,

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reproduce, distribute, reformat, modify and sublicense the Packeteer Documentation so as to apply to the ADC Product. ADC recognizes that its ownership of any derivative works of the Packeteer Documentation is subject to Packeteer's underlying ownership of the Packeteer Documentation. ADC agrees that it will not modify or delete any copyright notices or other proprietary notices included in the Packeteer Documentation without written approval of Packeteer. Packeteer will have the right to inspect the modified Packeteer Documentation to ensure that it meets Packeteer's quality standards.

2.5 TRADEMARK LICENSE. Subject to compliance with the terms of this Agreement (including, but not limited to, PARAGRAPH 11 ("Trademarks")) and ATTACHMENT D ("Packeteer Trademarks"), Packeteer hereby grants to ADC a non-exclusive, non-transferable, limited license to use the trademarks set forth in ATTACHMENT D ("Packeteer Trademarks") in connection with the marketing and distribution of the ADC Products.

2.6 END USER LICENSE. ADC will take all steps necessary to protect Packeteer's proprietary rights in the Packeteer Software and to ensure that each ADC Product will be accompanied by a localized copy of ADC's standard software license agreement applicable to such software which will include terms and conditions no less protective of Packeteer's interests as those set forth in ATTACHMENT C ("Packeteer End User License Agreement").

3. DELIVERY

3.1 INITIAL DELIVERY; ACCEPTANCE. Upon receipt of the Initial Delivery Fee, Packeteer will deliver the Packeteer Software to ADC, including the Packeteer Software Source, the Packeteer Software Information, the Packeteer API, and the Packeteer Documentation, all in electronic form, and where suitable, also in paper form. The Packeteer Software will be deemed accepted upon delivery.

3.2 MAINTENANCE DELIVERIES. So long as ADC has paid the applicable maintenance fees and Packeteer is still offering maintenance releases for the Packeteer Software, Packeteer will deliver applicable Updates to the Packeteer Software as such Updates are made generally available to Packeteer's customers. Such deliveries will be deemed accepted upon delivery.

3.3 INCORPORATING UPDATES. ADC will have the opinion to incorporate such Updates into the ADC Product, provided that if ADC fails to successfully incorporate such Updates within one (1) year after such Update is made available to ADC, (a) the trademark license set forth in PARAGRAPH 2.5 ("Trademark License") will terminate and ADC will cease to use the Trademarks in connection with such ADC Product, and (b) Packeteer will bear no obligation to continue to provide technical support (but will continue to provide Updates during the Maintenance Period) for such out-of-date ADC Product.

4. SUPPORT AND MAINTENANCE

4.1 DEMONSTRATION. Packeteer will provided a "walk-through" demonstration (not to exceed one day) for the Packeteer Software, and periodically for each Update it delivers.

4.2 MODIFICATIONS TO PACKETEER SOFTWARE. In the course of developing the ADC Product, ADC may from time to time request that Packeteer make changes to the Packeteer

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* Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

Software in order to provide additional functionality. During the period in which ADC is paying Packeteer for maintenance and is in compliance with its maintenance obligations (a "Maintenance Period"), Packeteer agrees to consider such requested changes promptly, and if it finds, in its sole discretion, such requested changes to be reasonable to the future development of the Packeteer Software, to implement such changes promptly as an Update, all without additional charge to ADC.

4.3 END USER SUPPORT. ADC will be solely responsible for providing all support and maintenance for End Users of the ADC Product. ADC will provide its End Users with reasonable documentation, warranty service, and e-mail or telephone support for the use of the ADC Product consistent with good industry practice and the terms of this Agreement.

4.4 TECHNICAL SUPPORT. During the Maintenance Period, Packeteer will provide ADC (but not ADC's End Users, distributors or resellers) with development support (including access to technical, engineering and management staff) in the form of telephone and e-mail responses to questions that ADC may have with respect to the current version of the Packeteer Software and any previous versions released by Packeteer within the past twelve (12) months. Packeteer will provide support solely for questions related to the unmodified Packeteer Software. In the event that such technical support requests become

unduly burdensome, the parties shall confer to discuss whether the number of hours per month which Packeteer spends providing support should be reduced, or if the fee for such support should be increased.

4.5 COMPATIBILITY. Updates provided hereunder for functionality that has previously been implemented by ADC will be "backwards compatible" (so that there will be no substantial loss of functionality) with the previously released version and any versions released in the preceding twelve (12) months.

5. PAYMENTS

5.1 INITIAL DELIVERY. On the Effective Date, ADC will pay Packeteer a fee (the "Initial Delivery Fee") of [*]. This Initial Delivery Fee shall include maintenance and support for a one (1) year period following the Effective Date. Packeteer will make the initial delivery of the Packeteer Software to ADC within five (5) business days of the Effective Date.

5.2 ANNUAL MAINTENANCE. For each additional year (commencing on the anniversary of the Effective Date) for which ADC desires to receive Updates and technical support, it will pay Packeteer an annual maintenance fee (the "Maintenance Fee") as set forth on SCHEDULE 1 ("Fees"). Any decision by ADC not to pay an annual Maintenance Fee shall terminate those obligations by Packeteer to provide Updates under PARAGRAPH 3.2 ("Maintenance Deliveries") and technical support under PARAGRAPHS 4.2 ("Modifications to Packeteer Software") and 4.4 ("Technical Support") but shall not otherwise terminate the licenses granted in PARAGRAPHS 2.1 ("Limited Source Code License") and 2.2 ("Distribution License") or other obligations of the Parties to this Agreement. Any decision by ADC not to pay an annual Maintenance Fee shall not relieve ADC from any of its obligations under this Agreement including the payment of the Royalties under PARAGRAPH 5.3 ("Royalties"). Upon a failure by ADC to successfully incorporate any Update as contemplated in PARAGRAPH 3.3 ("Incorporating Updates") within one (1) year after it is delivered to ADC, (a) ADC will cease to use the Trademarks (as described

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in PARAGRAPH 3.3 ("Incorporating Updates")), and (b) Packeteer shall have the option not to accept any further Maintenance Fee from ADC and to terminate its obligations to provide Updates under PARAGRAPH 3.2 ("Maintenance Deliveries") after the current Maintenance Period.

5.3 ROYALTIES. The royalties and other fees payable will be as set forth on SCHEDULE 1 ("Fees").

5.4 TAXES. ADC agrees to pay, and to indemnify and hold Packeteer harmless from, any sales, use, excise, import or export, value added or similar tax, not based on Packeteer's net income, as well as the collection or withholding thereof, including penalties and interest, as well as any costs associated with the collection or withholding thereof, and all government permit or license fees and all customs, duty, tariff and similar fees levied upon the delivery of the Packeteer Software, the ADC Product or related products, as well as any costs associated with the collection of any of the foregoing items. ADC will be responsible for obtaining, at its expense, all required import licenses, permits or other governmental orders. If a resale certificate or other certificate, document or other evidence of exemption or payment or withholding of taxes by ADC is required in order to exempt the distribution or licensing of the Packeteer Software, ADC Product or other related product from any such liability or to enable Packeteer to claim any tax exemption, credit, or other benefit, ADC will promptly furnish such certificate or document to Packeteer.

5.5 REPORTING. On a quarterly basis, ADC will, within thirty (30) days following the end of such quarter, provide Packeteer a report including the following: (a) the number of units of the ADC Product sold during that quarter,

broken down by units in which the Rate Control Software Package is and is not enabled; (b) geographic information related to the units of ADC Product sold during that quarter, including, at least, by the country of the sale and, if in the United States, also by the State and zip code of the sale; (c) the number of previously sold units of the ADC Product for which the Rate Control Software Package was enabled during that quarter; and (d) the royalty payments due during that quarter.

5.6 AUDIT. Each party will keep and maintain, for a period of three (3) years, proper records and books of account relating to licenses of the ADC Product to customers and End Users. Upon reasonable notice to the other party, a party may have a reputable independent auditor inspect, at the requesting party's expense, such records to verify the other party's payments hereunder no more than once every six (6) months; however, if the audit reveals a discrepancy of more than 5%, then the recordkeeper will pay for the cost of the audit and the auditing party will have the right to conduct another audit within the six (6) month period.

5.7 MANNER OF PAYMENT. All payments due hereunder are in U.S. Dollars. ADC shall include royalty payments with each report.

5.8 OVERDUE PAYMENTS. Overdue payments will be subject to a finance charge of the lesser of one and one-half percent (1-1/2%) per month or the highest interest rate allowed by law, for each month or fraction thereof that such amounts are past due.

6. DEVELOPMENT AND TESTING

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6.1 ADC DEVELOPMENT RESPONSIBILITIES. ADC will be responsible for creating the Ported Software, the ADC Product, and incorporating Updates in the ADC Product in compliance with the terms of the Agreement. In addition, ADC will be responsible for creating and delivering to Packeteer a list of errors found prior to Packeteer's certification or testing of the ADC Product pursuant to ATTACHMENT G ("Test Certification Procedures").

6.2 TESTING AND CERTIFICATION OF ADC PRODUCTS. ADC will test each version of the ADC Product. Once yearly, Packeteer will certify ADC's test results or perform independent testing in accordance with the procedures in ATTACHMENT G ("Test Certification Procedures"). If the ADC Product passes Packeteer's Test Certification Procedures, then ADC shall be entitled to market and distribute the ADC Product under the Trademarks under the terms of this Agreement and advise End Users that the ADC Product has passed the Test Certification Procedures. ADC will provide Packeteer with reasonable access to the ADC Software and Ported Software, including, but not limited to, exposing command line interfaces for the ADC Software in the testing versions of the ADC Product in order to permit Packeteer to perform regression testing and to confirm that no unpermitted modifications have been made to the Packeteer Software. Such regression testing will not be designed to permit Packeteer to analyze the ADC Software (its source or object code) to determine the manner and methods utilized in supporting its functionality without the prior written permission of ADC.

6.3 LOANED EQUIPMENT. ADC will loan Packeteer all necessary equipment for such certification testing. All equipment loaned by ADC to Packeteer will remain the property of ADC, will be fully insured by Packeteer, and will be returned to ADC at its request after termination of Packeteer's testing activities hereunder. ADC will pay all shipping and other costs (including, without limitation, custom fees and duties) resulting from delivery of such loaned equipment to Packeteer. Any loaned equipment will be returned to ADC by Packeteer, shipping, insurance and any other applicable costs prepaid by ADC. While in the possession of Packeteer, the loaned equipment will be maintained by ADC in good working order.

7. MARKETING

7.1 PROMOTIONAL EFFORTS. Without limiting ADC's ability to develop Competitive Products (as defined in PARAGRAPH 10.8 ("Access")) in compliance with the terms of this Agreement, ADC agrees to use its reasonable commercial efforts to market and distribute the ADC Product to End Users. ADC may advertise the ADC Product in advertising media of ADC's choice. ADC will use the Trademarks in accordance with the terms of this Agreement in conducting such marketing efforts.

7.2 PRESS RELEASE. The parties will create a mutually agreeable press release to announce the execution of this Agreement. Neither party will disclose any terms of the Agreement, except pursuant to a mutually agreeable press release or as otherwise required by law.

8. WARRANTY

8.1 PACKETEER WARRANTY. Packeteer warrants for a period of ninety (90) days from delivery (the "Warranty Period") that the unmodified Packeteer Software Source will compile in

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the development environment specified by Packeteer to yield the corresponding object code version of such source code (excluding any Excluded Components). If ADC reports to Packeteer a failure of the Packeteer Software Source to conform to the foregoing warranty during the Warranty Period, and provides such detail as Packeteer may require to permit Packeteer to reproduce such failure, Packeteer, at its expense, shall use reasonable commercial efforts to modify or replace the Packeteer Software Source to correct such failure. ADC acknowledges that the Packeteer Software Source delivered by Packeteer to ADC will require adaptation by ADC or Packeteer for compatibility with ADC platforms and configurations, which platforms and configurations will generally be different from the development environment and platform used by Packeteer. ADC acknowledges that the Packeteer Software is of such complexity that it may have inherent defects, and agrees that Packeteer makes no other warranty, either express or implied, as to any matter whatsoever. The foregoing states Packeteer's sole and exclusive warranty to ADC concerning the Packeteer Software Source and ADC's sole and exclusive remedy for breach of warranty.

8.2 DISCLAIMER. EXCEPT AS SET FORTH IN PARAGRAPH 8.1 ("PACKETEER WARRANTY"), THE PACKETEER SOFTWARE IS PROVIDED TO ADC "AS-IS" AND WITHOUT ANY WARRANTY OF ANY KIND, EXPRESS, IMPLIED, OR STATUTORY. PACKETEER EXPRESSLY DISCLAIMS ANY IMPLIED WARRANTIES OF NON-INFRINGEMENT, FITNESS FOR A PARTICULAR PURPOSE OR MERCHANTABILITY.

9. INDEMNITY

9.1 BY PACKETEER. Packeteer agrees to defend and otherwise hold ADC harmless from any costs, damages and reasonable attorneys' fees resulting from any claim that the uses permitted hereunder of the Packeteer Software infringe any U.S. patents or U.S. copyrights, or misappropriate the trade secrets of any third party, provided that ADC gives Packeteer prompt written notice of any such claim, tenders to Packeteer the defense or settlement of such a claim at Packeteer's expense, and cooperates with Packeteer, at Packeteer's expense, in defending or settling such claim. If Packeteer receives notice of an alleged infringement or if ADC's use of the Packeteer Software is prevented by permanent injunction, Packeteer may, at its sole option and expense, procure for ADC the right to continue use of the Packeteer Software, modify the Packeteer Software such that it is no longer infringing, or replace the Packeteer Software with software of similar functional capability (in either of the latter two options, the revised or replacement software must be backwards compatible as that term is defined in PARAGRAPH 4.5 ("Compatibility")), or

terminate the license and return to ADC the Initial Delivery Fee. PACKETEER'S OBLIGATIONS UNDER THIS SECTION WILL BE ADC'S SOLE AND EXCLUSIVE REMEDY FOR ANY ALLEGED INFRINGEMENT OR MISAPPROPRIATION OF ANY PROPRIETARY RIGHT. PACKETEER WILL HAVE NO LIABILITY TO ADC IF ANY ALLEGED INFRINGEMENT OR CLAIM THEREOF IS BASED UPON THE USE OF THE PACKETEER SOFTWARE IN CONNECTION OR IN COMBINATION WITH EQUIPMENT, DEVICES OR SOFTWARE NOT DELIVERED BY PACKETEER (IF SUCH INFRINGEMENT OR CLAIM COULD HAVE BEEN AVOIDED BY THE USE OF THE UNMODIFIED PACKETEER SOFTWARE WITH OTHER EQUIPMENT, DEVICES OR SOFTWARE), OR THE USE OF THE PACKETEER SOFTWARE OTHER THAN AS PERMITTED UNDER THIS AGREEMENT OR IN A MANNER FOR WHICH IT WAS NOT INTENDED, OR, AFTER THE TRANSITION PERIOD (AS DEFINED IN PARAGRAPH

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9.1.1) USE OF OTHER THAN THE MOST CURRENT RELEASE OF THE PACKETEER SOFTWARE (IF SUCH CLAIM WOULD HAVE BEEN PREVENTED BY THE USE OF SUCH RELEASE).

9.1.1 UPDATES. IF PACKETEER GIVES ADC NOTICE THAT A SPECIFIC UPDATE IS REQUIRED IN ORDER TO AVOID INFRINGING THE INTELLECTUAL PROPERTY RIGHTS OF A THIRD PARTY, AND IF WITHIN SIXTY (6) DAYS ("THE TRANSITION PERIOD") ADC FAILS TO USE SUCH UPDATE AND TO DISTRIBUTE SUCH UPDATE TO ITS END USERS, THEN PACKETEER WILL HAVE NO LIABILITY TO ADC UNDER PARAGRAPH 9.1 FOR INFRINGING SUCH INTELLECTUAL PROPERTY RIGHTS IF THE INFRINGEMENT WOULD BE AVOIDED IF ADC ADOPTED SUCH UPDATE.

9.2 BY ADC. ADC agrees to defend and otherwise hold Packeteer harmless from any costs, damages and reasonable attorneys' fees resulting from any claim that the uses permitted hereunder of the ADC Product infringe any U.S. patents or U.S. copyrights, or misappropriate the trade secrets of any third party, provided that Packeteer gives ADC prompt written notice of any such claim, tenders to ADC the defense or settlement of such a claim at ADC's expense, and cooperates with ADC, at ADC's expense, in defending or settling such claim. ADC'S OBLIGATIONS UNDER THIS SECTION WILL BE PACKETEER'S SOLE AND EXCLUSIVE REMEDY FOR ANY ALLEGED INFRINGEMENT OR MISAPPROPRIATION OF ANY PROPRIETARY RIGHTS.

10. PROTECTION OF PROPRIETARY RIGHTS

10.1 PACKETEER OWNERSHIP. Packeteer and its suppliers are the sole and exclusive owners of all rights, title and interest, including all Trademarks, copyrights, patents, trade names, trade secrets, and other intellectual property rights to the Packeteer Software, and in any modifications made to the Packeteer Software at ADC's request or suggestion under PARAGRAPH 4.2 ("Modifications to Packeteer Software"). Except for the rights expressly enumerated herein, ADC is not granted any rights to patents, copyrights, trade secrets, trade names, trademarks (whether or not registered), or any other rights, franchises or licenses with respect to the Packeteer Software. ADC agrees to protect the Packeteer Software in accordance with PARAGRAPH 10 ("Protection of Proprietary Rights") and ATTACHMENT E ("Secure Procedures"). Failure to protect the proprietary rights of Packeteer and its suppliers in the Packeteer Software, as required by this Agreement, will be considered a material breach of this Agreement.

10.2 ADC OWNERSHIP. ADC and its suppliers are the sole and exclusive owners of all rights, title and interest, including all trademarks, copyrights, patents, trade names, trade secrets, mask works, and other intellectual property rights to the ADC Product (excluding the Ported Software). Except for the rights expressly enumerated herein (e.g., the right to perform certain regression testing), Packeteer is not granted any rights to patents, copyrights, trade secrets, mask works, trade names, trademarks (whether or not registered), or any other rights, franchises or licenses with respect to the ADC Product. Packeteer agrees to protect the ADC Product in accordance with PARAGRAPH 12 ("Confidentiality").

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10.3 COOPERATION. The parties agree to cooperate and execute documents reasonably requested to confirm such ownership or to obtain protection under any intellectual property law.

10.4 PROPRIETARY NOTICES. ADC agrees that as a condition of its rights hereunder, it shall not alter the proprietary notices included in the materials delivered by Packeteer, and that each copy of the Ported Software will contain the same proprietary notices which appear on or in the materials provided by Packeteer to ADC. More specifically, ADC agrees that a valid Packeteer copyright notice will appear on the media or will be displayed on any screen visible to a user when any ADC proprietary notices are visible, in the following format or such other format as Packeteer specifies by written notice to ADC: the name of the program, the word "Copyright" and the "(C)" symbol, the year 1996 (the date of first creation of the Packeteer Software), followed by a hyphen and the year of the most recent version of the Packeteer Software, and the name of the copyright owner and the words "All Rights Reserved." Presence of a copyright notice does not constitute an acknowledgment of publication. ADC will ensure that the trademark notices are displayed in the ADC Product as set forth in PARAGRAPH 11 ("Trademarks").

10.5 UNAUTHORIZED DISTRIBUTION OR COPYING. ADC agrees that (except as expressly permitted by this Agreement): (a) distributing, copying, duplicating or otherwise reproducing all or any part of the Packeteer Software, (b) distributing or using copies of all or any portion of the Packeteer Software other than as embedded in a royalty-bearing ADC Product, or (c) failing to ensure that each End User receives a license agreement as required by PARAGRAPH 2.6 ("End User License") will constitute a material breach of this Agreement.

10.6 GOVERNMENT AGREEMENTS. ADC will take all reasonable steps in making proposals to and agreements with governments that involve the ADC Product and related documentation to ensure that Packeteer's proprietary rights receive the maximum protection available from such governments for commercial computer software and related documentation developed at private expense.

10.7 PACKETEER TRADE SECRETS. Packeteer represents that the Packeteer Software and those techniques, algorithms, and processes contained in the Packeteer Software which have been developed, acquired or licensed by Packeteer, or any modification or extraction thereof, constitute trade secrets of Packeteer and/or its suppliers, and ADC agrees they will be used by ADC only in accordance with the terms of this Agreement. ADC will take all measures reasonably required to protect the proprietary rights of Packeteer and its suppliers in the Packeteer Software Information.

10.8 ACCESS. In consideration of the licenses and access to proprietary information and technology of Packeteer granted under this Agreement, ADC hereby agrees: (a) not to use the Packeteer Software to develop, manufacture or distribute goods which compete with the Packeteer products ("Competitive Products"); and (b) to obtain the Packeteer Software only from Packeteer. Subject to the terms of restrictions on use of proprietary information (including, but not limited to this PARAGRAPH 10 ("Protection of Proprietary Rights"), ATTACHMENT D ("Packeteer Trademarks"), and ATTACHMENT E ("Secure Procedures") provided under this Agreement, this Agreement does not preclude ADC from independently developing similar technologies or products, where ADC can demonstrate by competent proof that such independent

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development has been created without reference to the Packeteer Software Source, Packeteer Software Information, or Packeteer Documentation.

11. TRADEMARKS

11.1 PROPER USE. Unless ADC or Packeteer opt to terminate the following requirement of trademark usage and the trademark license of PARAGRAPH 2.5 ("Trademark License") under the conditions set out below, ADC will make use of the Packeteer Trademarks in accordance with the guidelines and requirements set forth in ATTACHMENT D ("Packeteer Trademarks") and the standard guidelines and usage requirements as promulgated by Packeteer from time to time regarding the Trademarks. If Packeteer promulgates any changes to the standard guidelines and usage requirements, then ADC: (a) shall have six (6) months to continue operating under the old guidelines; (b) shall have six (6) months to continue operating under the old guidelines for existing inventory. Either Packeteer or ADC shall have the right to terminate the trademark usage requirement of this PARAGRAPH 11.1 ("Proper Use") if ADC does not pay an annual Maintenance Fee as set out in PARAGRAPH 5.2 ("Annual Maintenance") when such Maintenance Fee is due. Furthermore, Packeteer shall, under the same instance, additionally be able to prohibit ADC from using any Packeteer Trademark.

11.2 RIGHT OF REVIEW. In order to assure the Packeteer Trademarks are associated only with products and services of Packeteer's high quality standards, Packeteer will have the right to inspect and review all such products and services. In the event that any use of the Packeteer Trademark does not comport with the quality standards set by Packeteer, Packeteer will advise ADC, and ADC will improve the quality within thirty (30) days so as to comport with Packeteer's standards or cease use of the Packeteer Trademarks immediately.

11.3 NO COMPETITIVE EXPLOITATION OF TRADEMARKS. With respect to any Competitive Products which ADC develops or markets, ADC agrees that ADC will not exploit its access to the Packeteer Software, its relationship with Packeteer, or the existence of the Ported Software to promote Competitive Products. Furthermore, so long as ADC is marketing the ADC Product under the Trademarks, ADC agrees to use all reasonable efforts to distinguish the ADC Product from any Competitive Product when displaying or referring to the ADC Product in advertisements, catalogs, brochures and at trade shows by (a) identifying the ADC Product prominently and exclusively with the Trademarks in such proximity that the viewer is unlikely to associate the ADC Product with the Competitive Product, and (b) not associating the Trademarks with any Competitive Product in advertising, press releases, and other promotional and marketing materials.

12. CONFIDENTIALITY

12.1 RESTRICTION ON USE. Except as expressly permitted by this Agreement, each party ("Recipient"), its employees, and its contractors will not use in any way for its own account or the account of any third party, nor disclose to any third party, any Confidential Information revealed to it by the other party ("Disclosing Party") without the Disclosing Party's prior written consent; provided, however, that if any Confidential Information of the other party is required to be disclosed pursuant to any statute, regulation, order, subpoena or document discovery request, then the Recipient shall provide written notice thereof to the Disclosing Party as soon as

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practicable in order to afford the Disclosing Party an opportunity to seek a protective order (it being agreed that if the Disclosing Party is unable to obtain or does not seek a protective order and the Recipient is legally compelled to disclose such information, disclosure of such information may be made without liability).

12.2 DEFINITION OF CONFIDENTIAL INFORMATION. For purposes of this Agreement, "Confidential Information" consists of (a) any information designated by the Disclosing party in writing as confidential, (b) the Packeteer Software Source and the Packeteer Software Information, (c) the

source code and technical documentation for the ADC Product, and (d) the terms and conditions of this Agreement. Information in oral form will be considered Confidential Information only to the extent it is (x) identified as confidential prior to disclosure and (y) summarized in writing and transmitted to the Recipient, identified as proprietary, within thirty (30) days after the oral disclosure.

12.3 EXCLUSIONS FROM DEFINITION OF CONFIDENTIAL INFORMATION.

Confidential Information will not include, and this PARAGRAPH 12 ("Confidentiality") will not apply to information that (a) was known to the Recipient prior to its receipt from the Disclosing Party; (b) is or becomes public knowledge without fault of Recipient; (c) is acquired by Recipient from a third party with the right to disclose same and without binder of secrecy; (d) is independently developed by a party without using the other party's Confidential Information; or (e) has been approved for release by written authorization of the Disclosing Party.

12.4 STANDARD OF CARE. Each party will use the same standard of care that it applies to its own Confidential Information, but in no event less than reasonable care. Each party agrees to notify the other promptly in the event of any breach of confidentiality or security under conditions in which it would appear that any Confidential Information was prejudiced or exposed to loss, and will, upon request of the other, take all reasonable steps necessary to recover any compromised trade secrets disclosed to it or placed in its possession by virtue of this Agreement. Without limiting the generality of the foregoing, ADC agrees to comply with the terms of ATTACHMENT E ("Secure Procedures") regarding the handling of the Packeteer Software.

13. LIMITATION OF LIABILITY

EXCEPT IN THE CASE OF WILLFULNESS OR GROSS NEGLIGENCE, NEITHER PACKETEER NOR ANY OF ITS OFFICERS, DIRECTORS, EMPLOYEES, AFFILIATES, OR AGENTS WILL BE LIABLE TO ADC OR TO ANY THIRD PARTY FOR ANY LOSS OF USE, INTERRUPTION OF BUSINESS, OR FOR ANY INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS OR REVENUES) OR SIMILAR DAMAGES, WHETHER BASED ON TORT (INCLUDING WITHOUT LIMITATION, NEGLIGENCE OR STRICT LIABILITY), CONTRACT, OR OTHER LEGAL OR EQUITABLE GROUNDS, EVEN IF PACKETEER HAS BEEN ADVISED OR HAD REASON TO KNOW OF THE POSSIBILITY OF SUCH DAMAGES AND EVEN IN THE EVENT OF FAILURE OF EXCLUSIVE REMEDIES. In no event will Packeteer's liability under this Agreement, including claims for contribution or indemnity, exceed the greater of US \$100,000 (One Hundred Thousand Dollars) and all fees paid pursuant to this Agreement in the twelve (12) months preceding the claim giving rise to such liability.

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14. TERM AND TERMINATION

14.1 TERM. The initial term of this Agreement will be five (5) years from the Effective Date. At the conclusion of such term (or any subsequent renewal term), the Agreement will automatically renew for another three (3) year term unless either party has given written notice to the other at least sixty (60) days prior to the renewal date of such party's intention not to renew the Agreement.

14.2 TERMINATION FOR MATERIAL BREACH. Either party may terminate this Agreement if the other party has breached any material term of this Agreement and such breach remains uncured for forty five (45) days after written notice of such breach (which notice will, in reasonable detail, specify the nature of such breach).

14.3 BANKRUPTCY. A party may terminate this Agreement upon written notice to the other in the event the other (a) becomes insolvent or admits in writing its inability to pay its debts as they mature, or makes an assignment for the

benefit of creditors; (b) files a petition under any foreign, state, or United States bankruptcy act, receivership statute, or the like, as they now exist, or as they may be amended; (c) any third party files against it such a petition, or an application for a receiver of either party is made by anyone and such petition or application is not resolved favorably within sixty (60) days; or (d) discontinues its business.

14.4 LIMITED DISTRIBUTION RIGHT UPON NONRENEWAL. In the event that Packeteer elects to renew this Agreement under the terms of PARAGRAPH 14.1 ("Term"), ADC will be permitted, for a period of [*] years from such election (the "Extension Term"), to continue to sell the ADC Product in the from in which such ADC Product exists at the time of such election (the "Latest ADC Product"), subject to ADC's continued compliance with the terms of this Agreement. During the Extension Term, ADC may sell the Latest ADC Product only to those End Users who were bound by End User Licenses as of the Date of Packeteer's election not to renew, and not to new customers. During the Extension Term (a) ADC's royalty obligations with respect to distributions of the Latest ADC Product will persist, (b) Packeteer will have no obligation to provide any maintenance or technical support to ADC, and (c) ADC may not distribute the Latest ADC Product under the Packeteer Trademarks. The following sections will be of effect during the Extension Term, and all other sections will terminate: PARAGRAPHS 1 ("Definitions"), 2.2 ("Distribution License") (but only the first sentence), 2.3 ("Exclusions"), 2.6 ("End User License"), 4.3 ("End User Support"), 5 ("Payments") (excluding PARAGRAPH 5.2 ("Annual Maintenance")), 9 ("Indemnity"), 10 ("Protection of Proprietary Rights"), 12 ("Confidentiality"), 13 ("Limitation of Liability"), 14 ("Term and Termination"), 15 ("No Patent License."), and 16 ("General").

14.5 OBLIGATIONS ON CANCELLATION, TERMINATION OR EXPIRATION. Upon cancellation, termination, or expiration of this Agreement:

14.5.1 LICENSES TERMINATED. The licenses granted pursuant to PARAGRAPH 2 ("License Grants") will terminate immediately; provided, however, that ADC will be permitted to sell (for a period of ninety (90) days from termination) any finished inventory of ADC Product then in stock.

* Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

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14.5.2 SAFEGUARDING OF PROPRIETARY RIGHTS. ADC will continue to be responsible for safeguarding the proprietary rights of Packeteer and Packeteer's suppliers in accordance with this Agreement, including PARAGRAPHS 10 ("Protection of Proprietary Rights"), 11 ("Trademarks"), and ATTACHMENT E ("Secure Procedures") after such cancellation, termination, or expiration.

14.5.3 RETURN OR DESTRUCTION OF PACKETEER INFORMATION. Except for the limited exemption set forth in PARAGRAPH 14.5.1 ("Licenses Terminated") permitting ADC to sell out existing inventory, ADC will immediately discontinue use and distribution of the Packeteer Software, and return or destroy all copies of the Packeteer Software and any Packeteer deliverables in its possession (including copies placed in any storage device under ADC's control); provided, however, that ADC may keep a reasonable number of copies for supporting existing End Users. Upon Packeteer's request, ADC will warrant in writing to Packeteer compliance with this PARAGRAPH 14.5.3.

14.5.4 PAYMENT. The payment date of all monies due Packeteer will automatically be accelerated so that they will become due and payable on the effective date of termination, even if longer terms had been provided previously.

14.5.5 CONTINUED USE BY END USERS. End Users will be permitted the

continued and uninterrupted use of the ADC Products for the balance of the term of their End User agreements, as specified in such agreements, provided that and so long as the End Users are not in default of their End User agreements.

14.5.6 SURVIVAL. The following sections will survive the termination of expiration of this Agreement: PARAGRAPHS 1 ("Definitions"), 2.3 ("Exclusions"), 2.6 ("End User License"), 8 ("Warranty"), 9 ("Indemnity"), 10 ("Protection of Proprietary Rights"), 12 ("Confidentiality"), 13 ("Limitation of Liability"), 14 ("Term and Termination"), 15 ("No Patent License."), and 16 ("General").

15. NO PATENT LICENSE.

15.1 PACKETEER PATENTS. As used herein, "Packeteer Patent Right" means any right arising under any United States or foreign patent now owned by, or later issued or assigned to Packeteer, applicable to the Packeteer Software. Packeteer covenants that, to the extent that ADC, ADC's sublicensees as authorized in this Agreement, ADC's End Users, and ADC's other direct and indirect customers of Packeteer Software (collectively "Customers") exercise the rights expressly granted in PARAGRAPH 2 ("License Grants") to ADC, or which ADC is authorized to grant to Customers herein, Packeteer will not (a) assert any Packeteer Patent Right against ADC, (b) assert any Packeteer Patent Right against Customers, or (c) require any additional fee or royalty from ADC or Customers based upon any Packeteer Patent Right. Except to the extent of such covenant not to assert any Packeteer Patent Right, nothing contained herein will be construed as conferring, by implication, estoppel, or otherwise, any license or right with respect to any Packeteer Patent Right.

15.2 ADC PATENTS. As used herein, "ADC Patent Right" means any patent right arising under any United States or foreign patent issued or assigned to ADC and having a filing

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date after the inventor had access to the Packeteer Software in which (a) an inventor is (1) an employee of ADC who has had access to the Packeteer Software or (2) an independent contractor who has had access to the Packeteer Software and has assigned patent rights in the claimed invention to ADC and (b) the Packeteer Software contributed to the claimed invention. ADC Patent Right will not include any patent applications filed three (3) years after termination or expiration of this Agreement. ADC covenants that it will not (a) assert any ADC Patent Right against Packeteer or against its sublicensees or customers for products of a similar nature to that distributed by ADC, or (b) require any fee or royalty from Packeteer or such sublicensees or customers for the sale of such products based upon ADC Patent Rights. Except to the extent expressed above, nothing contained herein will be construed as conferring, by implication, estoppel, or otherwise any license or right with respect to any ADC Patent Right.

16. GENERAL

16.1 GOVERNING LAW. This Agreement will be governed in all respects by the laws of the United States of America and the State of California as such laws are applied to agreements entered into and to be performed entirely within California between California residents. The parties agree that the United Nations convention on Contracts for the International Sale of Goods is specifically excluded from application to this Agreement.

16.2 GOVERNING LANGUAGE. This governing language and any interpretation or construction of this Agreement will be English.

16.3 FORUM. All disputes arising under this Agreement may be brought in the state and federal courts located in San Jose, California, or Minneapolis, Minnesota as permitted by law. ADC and Packeteer consent to the personal jurisdiction of the above courts.

16.4 NOTICES. All notices or reports permitted or required under this

Agreement will be in writing and will be delivered by personal delivery, telegram, telex, telecopier, facsimile transmission, or by certified or registered mail, return receipt requested, and will be deemed given upon personal delivery, five (5) days after deposit in the mail, or upon acknowledgment of receipt of electronic transmission. Notices will be sent to the addresses set forth in the introductory paragraph of this Agreement and shall be sent to the attention of the Chief Financial Officer, or to such other address or person as may be designated in writing.

16.5 INJUNCTIVE RELIEF. It is understood and agreed that, notwithstanding any other provisions of this Agreement, breach of the provisions of this Agreement relating to the protection of intellectual property rights (including, but not limited to, PARAGRAPHS 2 ("License Grants"), 10 ("Protection of Proprietary Rights"), 11 ("Trademarks"), 12 ("Confidentiality"), ATTACHMENT D ("Packeteer Trademarks"), and ATTACHMENT E ("Secure Procedures") may cause the other party irreparable damage for which recovery of money damages would be inadequate, and that a party will therefore be entitled to obtain timely injunctive relief (whether by arbitral or judicial authority) to protect its rights under this Agreement in addition to any and all remedies available at law.

16.6 NO AGENCY. Nothing contained herein will be construed as creating any agency, partnership, or other form of joint enterprise between the parties.

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16.7 FORCE MAJEURE. Neither party will be liable hereunder by reason of any failure or delay in the performance of its obligations hereunder (except for the payment of money) on account of strikes, shortages, riots, insurrection, fires, flood, storm, explosions, acts of God, war, governmental action, labor conditions, earthquakes, material shortages or any other cause which is beyond the reasonable control of such party.

16.8 WAIVER. The failure of either party to require performance by the other party of any provision hereof will not affect the full right to require such performance at any time thereafter; nor will the waiver by either party of a breach of any provision hereof be taken or held to be a waiver of the provision itself.

16.9 SEVERABILITY. In the event that any provision of this Agreement will be unenforceable or invalid under any applicable law or be so held by applicable court decision, such unenforceability or invalidity will not render this Agreement unenforceable or invalid as a whole, and, in such event, such provision will be changed and interpreted so as to best accomplish the objectives of such unenforceable or invalid provision within the limits of applicable law or applicable decisions.

16.10 HEADINGS. The Paragraph headings appearing in this Agreement are inserted only as a matter of convenience and in no way define, limit, construe, or describe the scope or extent of such Paragraph or in any way affect this Agreement.

16.11 ASSIGNMENT. Neither this Agreement nor any rights or obligations of ADC hereunder may be assigned or transferred by ADC in whole or in part, whether by operation of law or otherwise, without the prior written approval of Packeteer which shall not unreasonably be withheld. For the purposes of this Paragraph, a change in ownership or sale of substantially all of the assets of ADC or the business division of ADC primarily involved in this Agreement shall not be considered an assignment or transfer of ADC's rights. Packeteer may exercise full transfer and assignment rights in any manner at Packeteer's discretion and specifically may sell, pledge, or otherwise transfer its right to receive royalties under this Agreement.

16.12 EXPORT. ADC acknowledges that the laws and regulations of the United

States restrict the export and re-export of commodities and technical data of United States origin, including the Packeteer Software licensed hereunder. ADC agrees that it will not export or re-export the Packeteer Software or ADC Product in any form, without the appropriate United States and foreign governmental licenses, if legally required. ADC agrees that its obligations pursuant to this Paragraph will survive and continue after any termination or expiration of rights under this Agreement.

16.13 FULL POWER. Each party warrants that it has full power to enter into and perform this Agreement, and the person signing this Agreement on each party's behalf has been duly authorized and empowered to enter into this Agreement. Each party further acknowledges that it has read this Agreement, understands it and agrees to be bound by it.

16.14 ENTIRE AGREEMENT. This Agreement together with the Attachments and appendices completely and exclusively states the agreement of the parties regarding its subject matter. If supersedes, and its terms govern, all prior proposals, agreements, or other

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communications between the parties, oral or written, regarding such subject matter. This Agreement will not be modified except by a subsequently dated written amendment signed on behalf of all parties by their duly authorized representative and any provision of a purchase order purporting to supplement or vary the provisions hereof will be void.

16.15 COUNTERPARTS. This Agreement may be executed simultaneously in two or more counterparts, each of which will be considered an original, but all of which together will constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereof have caused this OEM Agreement to be executed by their duly authorized representatives as of the Effective Date.

PACKETEER, INC.

ADC TELECOMMUNICATIONS, INC.

/s/ CRAIG ELLIOTT

/s/ WILLIAM L. MARTIN

By: Craig Elliott

By: William L. Martin

Its: President & CEO

Its: President ADC/BBG

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ATTACHMENT A

PACKETEER SOFTWARE

PACKETEER SOFTWARE

The document entitled "PACKETSHAPER/ADC OEM DELIVERABLES is fully incorporated within this Attachment A and is directly attached hereto. The Packeteer Software is limited to the specific modules identified in Section 6.1 of that document, and to the functionality set forth in Section 6.2 of that document.

EXCLUDED COMPONENTS

None. This list may be modified by Packeteer upon written notice to ADC.

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ATTACHMENT B

PACKETSHAPER: OEM SOFTWARE PORTING GUIDE

THE DOCUMENT ENTITLED "PACKETSHAPER PORTING GUIDE," REVISION 1.10, DATED 11/9/98 IS FULLY INCORPORATED WITHIN THIS ATTACHMENT B AND IS DIRECTLY ATTACHED HERETO.

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ATTACHMENT C

PACKETEER END USER LICENSE AGREEMENT

The following is a sample form of the Packeteer End User Agreement as of the Effective Date:

"THIS AGREEMENT IS PROOF OF YOUR RIGHT TO USE THE SOFTWARE CONTAINED IN THE PACKETEER PACKETSHAPER PRODUCT AND CONTAINS ADDITIONAL INFORMATION CONCERNING PACKETEER'S PRODUCT WARRANTY AND LIMITATIONS OF LIABILITY. PLEASE READ IT CAREFULLY.

This Agreement is between you (either an individual or an entity) and PACKETEER, INC. ("Packeteer"). Packeteer is willing to grant you the following rights to use the software incorporated in or supplied with the Packeteer PacketShaper product and its accompanying documentation (collectively, the "Packeteer Software") only if you agree to be bound by all of the terms of this Agreement. By installing the product (the "Equipment") or using the Packeteer Software, you agree to be bound by all the terms of this Agreement. If you do not agree to be bound by any of the terms of this Agreement, Packeteer is unwilling to grant you any rights to use the Packeteer Software and you must not use the Packeteer Software or the Equipment; instead you must promptly return the Equipment and Packeteer Software for a full refund to Packeteer or to the authorized Packeteer reseller that provided you with the product.

1. OWNERSHIP: The Packeteer Software is and shall remain a proprietary product of Packeteer. Packeteer and Packeteer's suppliers shall retain ownership of all patents, copyrights, trademarks, trade names, trade secrets and other proprietary rights relating to or residing in the Packeteer Software and Equipment. Except for the license grant provided in Paragraph 2, you shall have no right, title or interest in or to the Packeteer Software. The Packeteer Software is licensed, not sold, to you for use only under the terms of this Agreement.

2. GRANT OF LICENSE: Packeteer grants you a non-transferable (except as set forth in this Paragraph) non-exclusive, restricted right to use the Packeteer Software as incorporated in or supplied with the Equipment and solely in connection with the operation of the Equipment for your own internal business purposes. You understand that Packeteer may update the Packeteer Software at any time and in doing so incurs no obligation to furnish such updates to you pursuant to this Agreement. You may transfer the license to use the Packeteer Software only in connection with a sale or transfer of the Equipment and as included with the Equipment and not on a standalone basis, provided the buyer or transferee agrees to be bound by the terms and conditions of this Agreement.

3. RESTRICTIONS: Packeteer reserves all rights in the Packeteer Software not expressly granted to you. Except as permitted in Paragraph 2, you may not use, copy, modify, create derivative works of, distribute, sell, assign, pledge, sublicense, lease, loan, rent, timeshare, deliver or otherwise transfer the

Packeteer Software, nor permit any other party to do any of the foregoing. You may not remove from the Packeteer Software, or alter, any of the trademarks, trade names, logos, patent or copyright notices or markings, or add any other notices or markings to the Packeteer Software. To the extent permissible by applicable law, you may not derive or attempt to derive the source code of the Packeteer Software by any means, nor permit any other party to derive or attempt to derive such source code. To the extent permissible by applicable law, you may not reverse engineer, decompile, disassemble, or translate the Packeteer Software or any part thereof.

4. LIMITED WARRANTY: Packeteer does not warrant that the functions contained in the Packeteer Software and Equipment will meet your requirements or that the operation of your Packeteer Software or Equipment will be uninterrupted or error free. Packeteer warrants that for a period of ninety (90) days from your date of receipt of the Equipment and Packeteer Software, (a) the Equipment will be free of any defects in materials and workmanship and (b) the Packeteer Software will perform substantially in accordance with the accompanying documentation. This limited warranty is void if failure of the Equipment or Packeteer Software to conform with the warranty has resulted from improper installation, testing, misuse, neglect, accident, fire or other hazard, or any breach of this Agreement.

5. LIMITED REMEDIES: In the event of a breach of the foregoing limited warranty, you must return the Equipment and Packeteer Software to Packeteer or the Packeteer authorized reseller that provided you with the Packeteer Software, postage prepaid, before the expiration of the warranty period, with a copy of the invoice for the unit. Packeteer's sole and exclusive obligation and your sole and exclusive remedy shall be, at Packeteer's sole discretion, to either (a) repair the Packeteer Software or Equipment; (b) provide a replacement unit or a replacement copy of the Packeteer Software or (c) refund the amount you paid for the unit and terminate this Agreement. Any replacement copy of the Packeteer Software or replacement Equipment unit will be warranted for the remainder of the original warranty period or thirty (30) days, whichever is longer.

6. NO OTHER WARRANTIES: OTHER THAN THE FOREGOING LIMITED WARRANTY, PACKETEER HEREBY EXPRESSLY DISCLAIMS ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION THE IMPLIED WARRANTIES OF TITLE, NON-INFRINGEMENT, FITNESS FOR A PARTICULAR PURPOSE AND MERCHANTABILITY. SOME JURISDICTIONS DO NOT ALLOW THE DISCLAIMER OF IMPLIED WARRANTIES, SO THE ABOVE DISCLAIMER MAY NOT APPLY TO YOU. IN WHICH CASE THE DURATION OF ANY SUCH IMPLIED WARRANTIES IS LIMITED TO SIXTY (60) DAYS FROM THE DATE THE EQUIPMENT AND PACKETEER SOFTWARE ARE RECEIVED BY YOU. THIS WARRANTY GIVES YOU SPECIFIC LEGAL RIGHTS. YOU MAY HAVE OTHER LEGAL RIGHTS WHICH VARY FROM JURISDICTION TO JURISDICTION.

7. LIMITATION OF LIABILITY: PACKETEER'S AGGREGATE LIABILITY IN CONNECTION WITH THIS AGREEMENT, THE PACKETEER SOFTWARE AND THE EQUIPMENT, REGARDLESS OF THE FORM OF THE ACTION GIVING RISE TO SUCH LIABILITY (WHETHER IN CONTRACT, TORT OR OTHERWISE), SHALL NOT EXCEED THE AMOUNT PAID BY YOU TO

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PACKETEER. PACKETEER SHALL NOT BE LIABLE TO YOU FOR ANY INDIRECT, EXEMPLARY, SPECIAL, CONSEQUENTIAL OR INCIDENTAL DAMAGES OF ANY KIND (INCLUDING WITHOUT LIMITATION LOSS OF DATA, EQUIPMENT DOWNTIME OR LOST PROFITS), EVEN IF PACKETEER HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. SOME JURISDICTIONS DO NOT ALLOW THE LIMITATION OR EXCLUSION OF LIABILITY FOR CONSEQUENTIAL OR INCIDENTAL DAMAGES SO THE ABOVE LIMITATION OR EXCLUSION MAY NOT APPLY TO YOU. THE LIMITED WARRANTY, LIMITED REMEDIES AND LIMITED LIABILITY PROVISIONS CONTAINED IN THIS

AGREEMENT ARE FUNDAMENTAL PARTS OF THE BASIS OF PACKETEER'S BARGAIN HEREUNDER, AND PACKETEER WOULD NOT BE ABLE TO PROVIDE THE PACKETSHAPER TO YOU ABSENT SUCH LIMITATIONS.

9. GOVERNMENT END USERS. The Packeteer Software is comprised of "commercial computer software" and "commercial computer software documentation" as such terms are used in 48 C.F.R. 12.212 (SEPT 1995) and is provided to the Government (a) for acquisition by or on behalf of civilian agencies, consistent with the policy set forth in 48 C.F.R. 12.212; or (b) for acquisition by or on behalf of units of the Department of Defense, consistent with the policies set forth in 48 C.F.R. 227-7202-1 (JUN 1995) and 227-7202-3 (JUN 1995).

10. EXPORT CONTROL. Since the Packeteer Software is subject to the export control laws of the United States, you may not export or reexport the Packeteer Software without the appropriate United States and foreign government licenses. You shall otherwise comply with all applicable export control laws and shall defend, indemnify and hold Packeteer and all Packeteer suppliers harmless from any claims arising out of your violation of such export control laws.

11. GENERAL. The United Nations Convention on Contracts for the International Sale of Goods is specifically disclaimed. If any provision of this Agreement is held by a court of competent jurisdiction to be unenforceable for any reason, the remaining provisions hereof shall be unaffected and remain in full force and effect. This Agreement is the final, complete and exclusive agreement between the parties relating to the subject matter hereof, and supersedes all prior or contemporaneous understandings and agreements relating to such subject matter, whether oral or written. Should you have any questions regarding this Agreement, or if you desire to contact Packeteer for any reason, please write to: Packeteer, Inc., 10495 N. De Anza Blvd., Cupertino, California 95014, U.S.A."

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ATTACHMENT D

PACKETEER TRADEMARKS

Packeteer may adopt certain trademarks, trade names, marks, and logos ("Trademarks") from time to time in its sole discretion. The following Packeteer Trademarks are licensed to ADC pursuant to this Agreement:

[PACKETEER INC. LOGO]

The above trademark is designated to be included on the front panel of the ServicePoint product(s). Pending platform(s) design, this trademark use will be in the lower right hand corner of the front panel.

The Trademarks may be modified at any time by Packeteer.

USE OF PACKETEER TRADEMARKS

1. OWNERSHIP OF TRADEMARKS. ADC acknowledges the ownership of the Packeteer Trademarks in Packeteer. ADC agrees that it will do nothing inconsistent with such ownership and that all use of the Trademarks by ADC will inure to the benefit of and be on behalf of Packeteer. ADC acknowledges that Trademarks are valid under applicable law and that ADC's utilization of the Trademarks will not create any right, title or interest in or to such Trademarks. ADC acknowledges Packeteer's exclusive right to use of the Trademarks and agrees not to do anything contesting or impairing the trademark rights of the Packeteer. Any use of the Trademarks must identify Packeteer as the owner of such Trademarks.

2. QUALITY STANDARDS. Packeteer hereby appoints ADC as its representative for the limited purpose of controlling the quality of the ADC Products and any

other products or services it supplies in connection with the use of the Trademarks. ADC agrees that (a) the nature and quality of the ADC Products and any other products or services it supplies in connection with use of the Trademarks will conform to the standards set by Packeteer, and (b) it will cooperate with Packeteer in facilitating Packeteer's monitoring and control of the nature and quality of such products and services. Such assistance will include supplying Packeteer, upon its request, with specimens of its use of the Trademarks, including supplying samples of reprinted documentation, translations, product packaging and promotional materials that use the Trademarks in conjunction with ADC's marketing of ADC Products. Upon reasonable notice to ADC and at Packeteer's sole expense, Packeteer may conduct an inspection of such specimens at facilities of its choosing to determine conformance with the standards. ADC will, at Packeteer's request and expense, assist Packeteer in conducting such inspection and testing including, but not limited to, providing Packeteer with applicable hardware. If, at any time, Packeteer determines that ADC has not met the Packeteer quality standards, Packeteer will so advise ADC and, upon ADC's receipt of such notice by any means, ADC will have thirty (30) days to improve the quality to the standard previously approved by Packeteer, or to cease the use of all Trademarks.

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ADC will comply with all applicable laws and regulations pertaining to the use of the Trademarks and to the distribution and advertising of the ADC Products; however, Packeteer shall obtain all appropriate government approvals pertaining to the use of the Trademarks.

3. INFRINGEMENT PROCEEDINGS. ADC agrees to notify Packeteer of any unauthorized use of the Trademarks by others promptly as it comes to ADC's attention. Packeteer will have the sole right and discretion to bring infringement or unfair competition proceedings involving the Trademarks.

4. ADC'S USE OF TRADEMARKS. Except as set forth otherwise in the Agreement, ADC agrees that it will (a) prominently and permanently include the Packeteer Trademarks on all copies of the Packeteer Software and on any ADC Products distributed to End Users (b) use the Packeteer Trademarks, including the Packeteer logo, in any advertising or printed materials concerning the ADC Products, (c) use all applicable Trademarks on all copies, advertisements, brochures, manuals, packaging and other appropriate uses made in the promotion, sale or use of the ADC Products, and (d) ensure that the logo set forth above will appear prominently on the logon screen, splash screen, or other first display created by the Packeteer Software when End Users initialize the Packeteer Software.

5. TRADEMARK REGISTRATIONS. ADC, at Packeteer's request and expense, will (a) promptly provide Packeteer with any specimens, (b) execute all applications for trademark registrations, assignments or other applicable documents, and (c) perform any other act reasonably necessary for Packeteer to secure or maintain any and all trademark rights in any country in which ADC is marketing the ADC Products in association with a Trademark. ADC's responsibilities will include complying with the formalities of local law, including, but not limited to, executing any application for registration as a registered user, executing additional license agreements suitable for recording with the appropriate authorities or providing proof of use of the trademarks in any other applicable documents.

6. NO UNITARY OR COMPOSITE TRADEMARKS. ADC agrees not to use any other trademark or service mark in close proximity to any of the Packeteer Trademarks or combine the marks so as to effectively create a unitary composite mark without the prior written approval of Packeteer.

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ATTACHMENT E

SECURE PROCEDURES

1. AUTHORIZED EMPLOYEES AND CONTRACTORS. ADC agrees that it will not disclose all or any portion of the Packeteer Software to third parties, with the exception of authorized employees ("Authorized Employees") and authorized contractors ("Authorized Contractors") (subject to ADC's having obtained authorization for use of such contractors in accordance with PARAGRAPH 2 of this ATTACHMENT E, below) who (a) require access thereto for a purpose authorized by this Agreement, (b) have signed an employee or contractor agreement in which such employee or contractor agrees to protect third party confidential information and (c) in the case of disclosure of Packeteer Software Source or Packeteer Software Information ("Source Information"), have received a notice of confidentiality prior to access to such Source Information, and again upon any termination of such access, that contains, at a minimum provisions substantially in accordance with the following:

"Recipient has previously signed an agreement with ADC pursuant to which Recipient has agreed to maintain the confidentiality of confidential information of ADC and its suppliers (the "Confidential Information") and to use the Confidential Information solely for ADC's benefit. The purpose of this notice is to apprise Recipient that Recipient will be receiving certain proprietary information of Packeteer, including internal source code, interface specifications and related documentation for the Packeteer product and related Packeteer information, all of which is of a confidential nature and which contains valuable trade secrets, known-how, and proprietary information of Packeteer (the "Packeteer Information") and which constitutes Confidential Information under Recipient's agreement with ADC.

This is to inform Recipient that the Packeteer Information cannot be used for any purpose except for the specific purposes which ADC or Packeteer authorize in writing and that Recipient is not authorized to disclose the Packeteer Information to any person at any time except to employees of Packeteer and to those Authorized Employees and Authorized Contractors which ADC informs Recipient are authorized to receive such Packeteer Information.

All materials including, without limitation, programs, recorded information, documents, drawings, models, apparatus, sketches, designs, and lists furnished to Recipient by ADC or Packeteer which are designated in writing to be the property of Packeteer remain the property of Packeteer and must be returned to Packeteer promptly at its request, together with any copies or modifications thereof."

ADC guarantees the compliance of all such Authorized Employees and Authorized Contractors with their obligations under such confidentiality agreements.

2. PRIOR APPROVAL OF CONTRACTORS. Notwithstanding the provisions in this ATTACHMENT E permitting Authorized Contractors to have access to Source Information, ADC may not permit a contractor to come into contact with Source Information, or engage in the

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development of the Ported Software hereunder unless ADC has first obtained such authorization in writing from Packeteer. Packeteer, in its sole discretion, may withhold such approval in the event that a contractor (or contractor's employer) to whom ADC intends to disclose Source Information is engaged in Competitive Product development, either for its own benefit or for the benefit of a third party, or if Packeteer believes that the contractor may be engaged in similar product development, and ADC cannot assure Packeteer to its satisfaction that contractor, while engaged in supporting such development

activities, will be able to refrain from commingling or sharing any portion of the Source Information with any such Competitive Product development.

3. PACKETEER SUPPORT INFORMATION.

3.1 ADC will ensure that all Source Information received from Packeteer, and copies made thereof, will be properly marked or otherwise appropriately identified as Packeteer Information before being made available to Authorized Employees and Authorized Contractors hereunder.

3.2 ADC will ensure that the same degree of care is used to prevent the unauthorized use, dissemination, or publication of the Source Information as ADC uses to protect its own confidential information of a like nature, but in no event will the safeguards for protecting such Packeteer Support Information be less than a reasonably prudent business would exercise under similar circumstances. ADC will take prompt and appropriate action to prevent unauthorized use or disclosure of Source Information.

3.3 ADC will instruct Authorized Employees and Authorized contractors not to copy Source Information on their own, and not to disclose Source Information to any one not authorized to receive it.

3.4 Source Information will be handled, used, and stored solely at the Development Site. The Source Information will not be stored on any computer or network which is accessible from outside of the Development Site or by people other than Authorized Employees or Authorized Contractors.

3.5 ADC will provide Packeteer with a log of all Authorized Employees and Authorized Contractors who have access to the Source Information and who have had access in the preceding five (5) years.

4. TRADE SECRETS. The Packeteer Software, including the techniques, algorithms, and processes contained in the Packeteer Software which have been developed, acquired, or licensed by Packeteer, or any modification or extraction thereof, constitute trade secrets of Packeteer and/or its suppliers, and will be used by ADC only in accordance with the terms of this Agreement. ADC will take all measures reasonably required to protect the proprietary rights of Packeteer and its suppliers in the Packeteer Software and will promptly notify Packeteer of any lost or missing items and take all reasonable steps to recover such items. ADC agrees that it will not attempt to reverse engineer any portion of the Packeteer Software which is provided to ADC solely in object code form.

5. NO COMMINGLING OF TECHNOLOGY. If ADC engages in development of products (other than the Ported Software) that are comparable to the Packeteer Software

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("Comparable Products") during the term of this Agreement, it will ensure that there is no sharing with such Comparable Products development any of the following: (a) design documents of schematics supplied by Packeteer; (b) Source Information or other information based upon or derived from the Source Information; or (c) any computing resources (including, but not limited to, computer systems and network storage devices), or (d) personnel with access to any of (a)-(c) above. ADC will ensure that all Authorized Employees and Authorized Contractors who have had previous access to the Packeteer Software will be precluded for a period of twenty-four (24) months after their latest access to such Packeteer Software from being employed in any Comparable Product development (either internally or externally) by or for ADC or any Competitive

Product (as defined in PARAGRAPH 10.8 ("Access") of this Agreement) or Comparable Product development for any third parties. "Employment in any Competitive (or Comparable) Product development" will be defined as having direct access to, or producing any specifications, documentation, or source code, for components of a Competitive (or Comparable) Product.

6. PROPRIETARY RIGHTS AUDIT. During the term of the Agreement and for a period of twenty-four (24) months thereafter, an independent auditor selected by Packeteer will have access to such portion of ADC's records and premises to allow Packeteer to determine whether ADC is substantially in compliance with this ATTACHMENT E and PARAGRAPH 10 ("Protection of Proprietary Rights") of the Agreement. In no event will audits be made hereunder more frequently than twice per year. Such access will be (a) during ADC's regular business hours, (b) arranged so that, to the extent possible, ADC's regular business activities are minimally disrupted and (c) under the terms of an appropriate confidentiality agreement executed by the individual(s) conducting such audit. ADC will immediately correct any deficiencies discovered in the course of the audit.

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ATTACHMENT F

SPECIFICATIONS FOR ADC PRODUCT

A ServicePoint device is a WAN access termination hardware device.

ServicePoint MAS (Modular Access Solutions) is a software base capable of running on ADC's ServicePoint line of WAN access termination hardware devices or its partners WAN access termination hardware devices.

ServicePoint MAS software will, after the Effective Date of the Agreement to which this Attachment F is attached, always include the [*].

Some configurations of the ServicePoint MAS software may also enable the [*].

The ServicePoint MAS software otherwise includes at least one of the following capabilities in any combination:

[*].

* Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

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ATTACHMENT H

SOURCE CODE SITES

ADC Kentrox facility in Portland, Oregon.

14375 Northwest Science Park Drive
Portland, OR 97229

ADC Kentrox facility in the San Francisco bay area (Silicon Valley).

(As of 12/98)

(As of 1/99)
800 El Camino Real, Suite 100
Mountain View, CA

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SCHEDULE I

FEES

I. PRODUCT DISTRIBUTION. ADC will pay Packeteer:

A. APPLICATION DISCOVERY SOFTWARE PACKAGE:

[\$*] for each ADC Product distributed by or on behalf of ADC in which the Application Discovery Software Package is included. ADC will make minimum royalty payments (on a quarterly basis) for Application Discovery for the first two years from the FCS Date (as defined in Section III below) as set forth below.

<TABLE>
<CAPTION>

Application royalties	Discovery	ADC Prepaid Units	Annual Minimum Royalty amount
Year			
<S>		<C>	<C>
1		[*]	[*]
2		[*]	[*]

</TABLE>

The minimum quarterly payments due for Application Discovery Software Package units:

<TABLE>
<CAPTION>

Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4
<S>	<C>	<C>	<C>	<C>	<C>
1	Total = [*]	[*]	[*]	[*]	[*]
2	Total = [*]	[*]	[*]	[*]	[*]

</TABLE>

B. RATE CONTROL SOFTWARE PACKAGE:

ADC will pay Packeteer the following for each unit distributed with Rate Control functionality and for each unit upgrade to include Rate Control functionality

<TABLE>

<S>		<C>	<C>
	First [*] units	Per T1 port or equivalent in the United States, and per E1 port or equivalent in International markets	[*]
	Units [*] to [*]	Per T1 port or equivalent in the United States, and	[*]

	per E1 port or equivalent in International markets	
Units [*] to [*]	Per T1 port or equivalent in the United States, and per E1 port or equivalent in International markets	[*]
For all units over [*]	Per T1 port or equivalent in the United States, and	[*]

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* Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

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per E1 port or equivalent
in International markets

ADC will make minimum royalty payments (on a quarterly basis) for units which include (or are upgraded to) Rate Control Software Package for the first two years of the Agreement as set forth below:

<TABLE>		
<CAPTION>		
Rate Control royalties		
Year	ADC Prepaid Units	Annual Minimum Royalty amount
<S>	<C>	<C>
1	[*]	[*]
2	[*]	[*]
</TABLE>		

The minimum quarterly payments due for Rate Control Software Package units:

<TABLE>				
<CAPTION>				
Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4
<S> <C>	<C>	<C>	<C>	<C>
1 Total = [*]	[*]	[*]	[*]	[*]
2 Total = [*]	[*]	[*]	[*]	[*]
</TABLE>				

ADC will make payments for the prepaid royalty commitments for both the Application Discovery and Rate Control packages on a quarterly basis for the first two years. After the first two years (and not during such two-year period), if the royalty commitments previously paid exceed the amounts due for the units already shipped, ADC may apply such balance to future units shipped in accordance with the royalty schedule set forth above.

II. MAINTENANCE RELEASES. There is no further royalty due to Packeteer for any copies of any Updates distributed to End Users.

The Maintenance Fee will be [*] annually and paid at the beginning of the period. This fee will commence at the beginning of the second year of the Agreement.

III. TIMING OF PAYMENTS. The initial obligation to pay the royalties set forth above shall commence upon the earlier of (i) the first commercial shipment of an ADC Product unit to the distribution channel (the "FCS Date") and (ii) July

1, 1999, and shall continue for two years thereafter. The quarterly payments due shall accompany the reports furnished under PARAGRAPH 5.5 ("Reporting"). In the event that ADC's royalty obligations for units shipped during any quarter exceeds the minimum quarterly royalty obligation payable for such quarter, ADC shall remit the additional royalties due along with the other quarterly payments for such quarter.

References to calendar quarters and year periods for the royalty obligations (but not the maintenance payments) set forth in Section I above are measured from the FCS Date.

* Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

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PACKETEER, INC.

RESELLER AGREEMENT

ALCATEL BUSINESS SYSTEMS

Company Name	Agreement #	Effective Date	
12, rue de la Baume			
Address			
Paris	FRANCE	75008	
City	State/Province/Country	Postal Code	Telephone

1. APPOINTMENT

A. Packeteer appoints the reseller named above (hereafter "Alcatel Business Systems") and each Authorized Units, as defined in Article 4.A (hereafter collectively "Reseller") as an authorized, non-exclusive reseller in the Territory specified in Addendum A for a period of three years and Reseller accepts such appointment. In connection with such appointment, and subject to the terms of this Reseller Agreement (the "Agreement"), Packeteer grants to Reseller, and Reseller accepts a non-transferable, non-exclusive right 1) to resell the products set forth in Addendum A ("Products") solely to persons or entities in the Territory that obtain the Products either for personal or internal business use or for the provisioning of services and not for resale, license or distribution to third parties subject to the provisions of Addendum C, and that are subject to the terms of the end user agreement which accompanies the Product ("End Users"), and 2) to use the Products for the purposes set forth in this Agreement. All rights not expressly granted to Reseller herein are reserved by Packeteer. This Agreement will automatically renew for successive one-year terms unless terminated earlier in accordance with the terms of this Agreement.

2. LICENSE; LIMITATIONS

A. Subject to the terms and conditions of this Agreement, Packeteer grants to Reseller a non-transferable, non-exclusive limited license to distribute the object code of both 1) Packeteer's proprietary software and 2) software that Packeteer has obtained pursuant to rights granted from third parties ("Software") incorporated in the Products or otherwise provided with the Products solely to End Users. The Software is protected under copyright laws. The licenses granted in this section by Packeteer do not constitute a sale of the Software. All copyright and proprietary rights notices included in the Software must be reproduced and included with any copy of any portion of the Software. Reseller will not translate any portion of the Software or associated documentation into any other format or language without the prior written consent of Packeteer, which shall not be unreasonably withheld. Except as specifically provided in this Agreement, Reseller may not transfer the Software or the licenses granted herein to any third party.

- B. The Products are a "commercial item" and Reseller will provide the Products to U.S. Government End Users with only those rights as are granted to all other End Users pursuant to the terms and conditions herein.
- C. Subject to the provisions of the License Agreement which may be entered between Packeteer and any of (i) Alcatel Business Systems or (ii) Alcatel as defined in Article 4.A or (iii) any Authorized Unit , Reseller may not alter, modify, reproduce or create derivative works from the Products, the Software or any part thereof. Reseller will not, directly or indirectly, 1) solicit or consummate sales of the Product outside the Territory without the prior written consent of Packeteer, 2) resell or otherwise distribute the Products to customers other than End Users, 3) engage any third party distributors to distribute the Products, or 4) sell the Products to customers whom Reseller knows or has reason to know intend to resell the Products. Reseller agrees not to reverse engineer, decompile, or disassemble the Products or otherwise reduce the Software to human-perceivable form, or to encourage or assist third parties in doing so.

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3. PRICES

- A. Addendum A references the worldwide list price for Products as of the Effective Date. Packeteer reserves the right to change list prices upon at least [*] prior written notice to Reseller.
- B. The Net Reseller Price for Products purchased under this Agreement will be the list price at the time of Reseller's orders, less the discounts as specified in Addendum A.
- C. Net Reseller Price does not include transportation.
- D. The Net Reseller Price is exclusive of all applicable taxes associated with the marketing, distribution and delivery of the Products, including but not limited to sales, use, withholding, excise, value-added and similar taxes and all customs, duties or other governmental impositions, but excluding taxes calculated on Packeteer's net income ("Taxes"). Reseller will pay all Taxes associated with the sale and delivery of all Products. If claiming tax exemption, Reseller will provide Packeteer with a valid tax exemption certificate.
- E. [*]
- F. Packeteer agrees to consider in good faith the granting to Reseller of additional discounts on a case-by-case basis.

4. ORDERS; SHIPMENTS; CANCELLATIONS AND CHANGES

- A. Authorized Units may place orders directly with Packeteer once the Unit Approval Addendum attached as Addendum D hereto has been executed by such Authorized Unit.

For the Purpose hereof, an Authorized Unit shall be defined as any company of which the capital is controlled by 50 % or more by Alcatel, a French Company with a registered address 12 rue de la Baume, 75008 Paris, France.

B. Reseller and Packeteer will agree upon non binding quarterly Purchase Objectives. The initial quarterly Purchase Objectives are stated in the Addendum A.

Each of Alcatel Business Systems and the Authorized Units will provide a non binding three month rolling forecast.

C. Purchase orders may be sent by fax, email or letter and will include the fax number or email address to be used for orders acknowledgement purposes (the "Acknowledgement References"). Packeteer will acknowledge in writing written purchase orders received from Reseller within a week of their receipt provided however that such purchase orders include the appropriate Acknowledgement References. At the time of acknowledgement, Packeteer will provide scheduled delivery dates which delivery date shall not be later than 4 weeks from the date Packeteer receives the order. Sales of Product to Reseller will be governed by this Agreement, and any additional or different terms on Reseller's purchase order form that conflict with this Agreement will have no force or effect.

D. Reseller may request shipment up to [*] after order date.

E. Reseller may cancel shipment or request changes in a scheduled shipment date at no charge up to 10 business days before scheduled shipment. Any later cancellation or change will be subject to a charge of 10% of the shipment's list price value and applicable freight charges if Product is in transit.

F. Packeteer will use reasonable efforts to meet any scheduled shipment date.

Title to Packeteer Products (hardware only) and risk of loss or damage will pass to Reseller at the time of delivery by Packeteer to the carrier ("FCA" Cupertino as defined by the ICC Incoterms 1990). All shipments will be deemed accepted upon receipt provided however that Packeteer will be entitled to reschedule orders with a maximum additional delay of [*] to the original delivery date when Reseller has not met [*] of the cumulated forecasts for two successive quarters.

G. For each Product ordered by Reseller pursuant to this Agreement, Packeteer will perform its standard factory production test applicable to such Product. Packeteer will ship a Product to Reseller only after it passes the

* Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

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factory production test. Reseller shall have the opportunity to review Packeteer's standard factory production test procedures as it considers necessary during normal business hours on reasonable prior written request. Upon request by Reseller, respective Quality Managers of Packeteer and Reseller will meet to review quality procedures, standards and testing requirements.

5. PAYMENT

A. Reseller will use best efforts pay invoices within 45 days and will pay

all invoices in full within a maximum of 60 days after the date of invoice unless Packeteer agrees to other terms.

- B. Claims for adjustment of any invoice will be waived if Reseller fails to present claim within 90 days from date of Packeteer invoice. Claims, credits or offsets may be deducted from any invoice as agreed by both parties in writing prior to deduction.

6. PRICE ADJUSTMENTS; PRICE PROTECTION

- A. If Packeteer raises list prices, Packeteer will invoice based on the old, lower price for orders placed by the Reseller (with delivery) within one month after the effective date of the list price increase.. Protection of prices will be provided by Packeteer for the period of time between the submission of a tender by Reseller and the award of a contract to Reseller further to such tender provided, however, that (i) such protection will be limited to tenders submitted to carriers, unless otherwise agreed upon in writing between Reseller and Packeteer and (ii) Reseller shall have notified in advance Packeteer of the submission of such tender.
- B. If Packeteer reduces list prices, Reseller will be billed based on the new, lower price for Packeteer Products shipped on or after the effective date of the reduction.
- C. If Packeteer reduces list prices, Reseller may apply for a price protection credit equal to the total reduction in Net Reseller Price for eligible products remaining unsold that were shipped within two months before the effective date of the reduction. In order to receive a credit, Reseller must submit to Packeteer a report of inventory eligible for the price credit within 20 days of the effective date of the list price decrease.

7. STOCK ADJUSTMENTS

- A. Packeteer Products eligible for stock adjustment are products that Packeteer is still selling and that are still in their unopened, original packaging, marketable as new merchandise. Reseller will return items at Reseller's expense.
- B. Products returned for stock adjustment are subject to a restocking charge of 10%. Packeteer will bear transportation costs associated with such returned Products.
- C. Eligible Products may be returned for stock adjustment once each calendar quarter during the first two weeks of the quarter. Reseller must purchase new Products of equal or greater value for immediate shipment at the time of return.
- D. Reseller must obtain a Returned Material Authorization (RMA) number for each shipment returned for stock adjustment. If an RMA number does not appear on the outside of all boxes returned to Packeteer, the shipment may be returned to Reseller at Reseller's expense.
- E. Reseller will receive a credit for eligible Products returned for stock adjustment at the Net Reseller Price in effect when Packeteer receives them, less the return charges indicated above and any promotional discounts.

8. DEFECTIVE UNITS

- A. Reseller and Packeteer agree that the procedure provided below for return and repair or replacement will be Reseller's exclusive remedy for any claim relating to any alleged defect or nonconformity in the

Products, subject to the provisions of article 13 hereafter.

- B. Packeteer will repair or replace any Packeteer Product found defective by Reseller within 15 days of its shipment to Reseller and prior to its sale to the End User.
- 1) Unless Packeteer gives other instructions, the defective unit will be returned to Packeteer freight collect. Reseller must notify Packeteer that the unit is being returned and must obtain an RMA number. If an RMA number does not appear on the outside of all boxes returned to Packeteer, the shipment may be returned to Reseller at Reseller's expense.
 - 2) Packeteer may inspect the unit to verify that it is eligible for repair or replacement. Such eligibility will be based solely on whether the unit is in fact defective and whether the claim is timely. Packeteer's approval will not be unreasonably withheld.

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- 3) Packeteer will be entitled to determine at its discretion whether to repair or replace for the defective unit.
- 4) Packeteer will not repair or replace for units damaged from abuse or misuse (including improper storage), attempted repair by an unauthorized individual, or repossession. Reseller will reimburse Packeteer for freight for such units, or where no defects are found.

9. RESELLER RESPONSIBILITIES

- A. Reseller will provide first line technical support for the products to its End Users, responding to End Users' inquiries within a reasonable time.
- B. Subject to the provisions of article 10 A hereafter, Reseller will train and maintain a sufficient number of capable technical and sales personnel to serve the demands of End Users for the Products, to service and support the Products, to call on End Users with reasonable frequency and to answer promptly all End User inquiries or requests for information regarding the Products.
- C. List prices are suggested prices for resale to Reseller's customers and a basis for calculating Net Reseller Price. Reseller has the right to determine its own resale prices, and no Packeteer representative will require that any particular price be charged by Reseller or withhold any treatment to Reseller based on Reseller's pricing policies. Reseller agrees that it will promptly report any effort by Packeteer personnel to interfere with its pricing policies directly to a Packeteer officer or manager.
- D. Reseller agrees that high end user satisfaction is a condition of value added reseller authorization by Packeteer. The distribution channels established by Packeteer and the obligations placed on value added resellers exist to ensure high end user satisfaction.
- E. Reseller will use best efforts to have Reseller's sales force participate in all Packeteer sponsored training sessions.

10. PACKETEER RESPONSIBILITIES

- A. Packeteer will provide, free of charge, initial training on the Products for a reasonable number of technical and sales personnel. After the initial training Packeteer will make available at a reasonable charge scheduled classes for sales training programs and for product maintenance and installation in places and at times to be mutually agreed upon by both parties.
- B. Packeteer will furnish at no charge one master reproduction copy, in the English language, of all sales literature, drawings, functional descriptions, customer training manuals and other standard materials necessary to promote the sale, installation and maintenance of Products and to enable Reseller to perform its obligations under this Agreement.
- C. Packeteer will keep Reseller regularly informed of its policies regarding Product launching and will provide a 12-month rolling product plan, updated quarterly, with Products assigned to calendar quarters. Packeteer will provide Reseller with at least three (3) months prior notice of changes in Product evaluations and Product launches.
- D. Packeteer will provide Reseller one of each of the Products together with their updates or new releases for the purposes of beta or evaluation testing which shall be free of charge.

11. RESELLER REPORTING AND RECORD-KEEPING

- A. For purposes of contract compliance verification, product safety information, corrections for operational problems and the like, Reseller is required to maintain records of customer purchases of Products for one year. Records must include serial number and date of sale of the Products and for the USA, the state in which it is sold.
- B. At Packeteer's discretion, and upon reasonable notice to Reseller, Packeteer or Packeteer's designate will be given on-site access to Reseller's customer records, inventory records and other books and records of account as necessary to verify and audit Reseller's compliance with the terms of this Agreement. Packeteer undertakes to keep the information accessed during such on site visit strictly confidential and to use such information only for compliance audit purposes. Packeteer shall not provide such information to another Reseller and shall not use such information to directly approach or deal with in any manner any Reseller's customer.
- C. Any of Alcatel Business Systems or the concerned Authorized Units will provide quarterly a point of sale (POS) report for the US Sales only. The POS report will detail shipments by state. These reports are to be sent to Packeteer's Sales Department.

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12. USER WARRANTY

- A. Packeteer Products are covered by a user warranty, a copy of which is included with each Product. The user warranty runs in favor of the End User. The user warranty period begins on the End User's date of purchase. Packeteer may require that Reseller provide proof of purchase by the End User. The user warranty is the only warranty covering a Product sold under this Agreement.

- B. NO OTHER WARRANTY IS EXPRESSED OR IMPLIED. PACKETEER SPECIFICALLY DISCLAIMS THE IMPLIED WARRANTIES OF MERCHANTABILITY, AND FITNESS FOR A PARTICULAR PURPOSE.

13. LIMITATION OF REMEDIES AND LIABILITY

- A. THE REMEDIES PROVIDED IN THIS AGREEMENT, INCLUDING THE PROCEDURE FOR RETURN OF DEFECTIVE UNITS, ARE RESELLER'S SOLE AND EXCLUSIVE REMEDIES. NO PARTY TO THIS AGREEMENT WILL BE LIABLE FOR ANY INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES, WHETHER BASED ON CONTRACT, TORT OR ANY OTHER LEGAL THEORY.
- B. If any Product sold hereunder is defective and as a result thereof has directly caused direct damages or is determined by a court of competent jurisdiction to be defective and to have directly caused bodily injury, death or property damage in no event will Packeteer's liability to Reseller in connection with this Agreement exceed the amounts actually paid by Reseller under this Agreement during the preceding twelve (12) months.

14. RELATIONSHIP

- A. Reseller's relationship to Packeteer will be that of an independent contractor engaged in purchasing Products for resale to End Users. Reseller and its employees are not agents or legal representatives of Packeteer for any purpose and have no authority to act for, bind or commit Packeteer. Reseller and Packeteer agree that this Agreement does not establish a franchise, joint venture or partnership.
- B. Any commitment made by Reseller to its customers with respect to quantities, delivery, modifications, interfacing capability or suitability will be Reseller's sole responsibility unless prior written approval is obtained from Packeteer. Reseller has no authority to modify the user warranty or to make any commitment on Packeteer's behalf and Reseller will indemnify Packeteer from liability for any such modified warranty or other commitment by Reseller.

15. TRADEMARK

- A. From time to time, Packeteer may designate one or more Packeteer trademarks as available for Reseller's use and will provide standards for that use. Packeteer authorizes Reseller to use these designated trademarks.
- 1) Reseller will use the designated trademarks in accordance with these standards solely in advertising and promoting Packeteer products, in good taste and in a manner that preserves their value and Packeteer's rights in them.
 - 2) Reseller will not use any Packeteer trademark or trade name in a way that implies Reseller is an agency or branch of Packeteer. Reseller will immediately change or discontinue any use as requested by Packeteer.
 - 3) Reseller has no right, title or interest in any Packeteer trademark or trade name and is not authorized to use any Packeteer trademark or trade name other than the designated trademarks. Any rights in any Packeteer trademark or trade name acquired through Reseller's use belong solely to Packeteer.
 - 4) Reseller will not at any time during or after this Agreement do anything that may adversely affect Packeteer's ownership of, the validity or enforceability of, or infringe or

contribute to the infringement of any Packeteer trademark or trade name.

16. PROPRIETARY INFORMATION

A. The Reseller and Packeteer acknowledge that, in the course of performing duties under this Agreement, each party may obtain proprietary or confidential information from the other party ("Proprietary Information"). Proprietary Information may be disclosed to a party in writing, in other tangible form, orally or visually. When disclosed in writing or other tangible form, the Proprietary Information will be identified and labeled as confidential and belonging to the disclosing party. When disclosed orally or visually, such Proprietary Information will first be identified as confidential at the time of the oral or visual disclosure, with subsequent confirmation in writing within 15 days after disclosure.

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B. Neither party will at any time, either during or after the term of this Agreement, or for a period of 3 years after its expiration 1) publish, disclose or otherwise divulge any of the other party's Proprietary Information to any person, except its officers and employees under a confidentiality of such information consistent with the obligations imposed hereunder, or 2) permit its officers or employees to divulge any of the other party's Proprietary Information without the prior written consent of the other party. Neither party will use the other party's Proprietary Information except in the course of its duties under this Agreement. Upon termination of this Agreement for any reason, each party further agrees to immediately destroy with evidence thereof or return to the other party all of the other party's Proprietary Information in its possession, custody or control.

C. The Proprietary Information restrictions will not apply to information which 1) is already known to the other party, 2) is or becomes publicly known through no wrongful act of the receiving party, 3) is independently developed by the receiving party without benefit of the disclosing party's Proprietary Information or 4) is received from a third party without similar restriction and without breach of this Agreement.

17. INDEMNITY

A. Packeteer will, except as otherwise provided below, defend or settle any claim made or suit or proceeding brought against Reseller and/or its customers to the extent it is based on an allegation that any unmodified Product sold under this Agreement infringes any patent, trademark or copyright, provided Packeteer is notified promptly in writing and given information, assistance (so long as Packeteer pays the out-of-pocket expenses) and sole authority to defend or settle same at Packeteer's expense; and Packeteer will pay all damages and costs finally awarded therein against Reseller and/or Reseller's customer, notwithstanding the provisions of article 13 hereof. If any such Packeteer product is held to infringe and its use is enjoined, or in case of a settlement, Packeteer will have the option at Packeteer's expense to replace same with a non-infringing product; or modify same so it becomes non-infringing.

B. The foregoing states Packeteer's entire liability for intellectual property infringement by products furnished under this Agreement.

18. TERMINATION

- A. This Agreement may be terminated without cause by either party upon written notice to the other party given no fewer than sixty (60) days prior to the end of the then-current term. Either party may terminate this Agreement for material breach of this Agreement by the other party ("Cause") by giving written notice to the defaulting party and allowing a thirty (30) day period to cure the breach. Either party may terminate this Agreement immediately upon written notice if the other party ceases to do business for any reason or becomes subject to any bankruptcy, insolvency, reorganization, liquidation or other similar proceedings are not dismissed within fifteen (15) days thereafter. Packeteer may terminate the Agreement with any Authorized Unit for material breach by such unit provided, however, that such termination shall not entail the termination of this Agreement nor of any other Agreement with other Authorized Unit.
- B. Any Authorized Unit may terminate the Agreement with respect to itself only by giving at least 60 days prior written notice to Packeteer and Reseller .
- C. Upon termination or expiration of this Agreement for any reason, Reseller will immediately cease to be an authorized Packeteer reseller and will refrain from representing itself as such and from using any Packeteer trademark or trade name.
- D. Upon termination or expiration, either party may require that Packeteer purchase any Products sold to Reseller by Packeteer under this Agreement that Packeteer is still selling, in their unopened, original packaging and marketable as new merchandise. Packeteer will pay Reseller Packeteer's then current Net Reseller Price or Reseller's original purchase price for such products, whichever is lower. Reseller should contact its sales representative for information about the items eligible for repurchase and instructions for their return at Packeteer's expense.
- E. Neither party will be liable to the other for damages in any form by reason of the termination or cancellation of this Agreement in accordance with the provisions set forth in this Agreement.
- F. The indemnities and record-keeping provisions set forth in this Agreement will survive termination or expiration hereof.

19. AMENDMENT

- A. Packeteer may, from time to time, (i) add products to its current product list, (ii) change list prices subject to the provisions of article 3.A or (iii) implement special

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promotional programs, at Packeteer's discretion, after reasonable notice to Reseller.

- B. Packeteer may, from time to time delete Products from its current product list upon ninety (90) days written notification prior to such deletion (the "Notice Period"). Reseller may then make a last-time order of such Products within the Notice Period, which order Packeteer shall accept and deliver.
- C. Each party acknowledges that the other has made no commitments

regarding duration or renewal of this Agreement beyond those expressly stated herein.

20. GENERAL CONDITIONS

- A. Reseller may not assign or transfer this Agreement, except to any other company of the Alcatel Group. Any attempted assignment or transfer by Reseller will be void.
- B. The failure of either party to require performance by the other party of any provision of this Agreement will not affect the full right to require such performance at any time thereafter; nor will the waiver by either party of a breach of any provision be taken or held to be a waiver of the provision itself.
- C. This Agreement and the attached Addenda contain the entire and only understanding between the parties relating to the subject matter hereof. No modification of this Agreement will be binding on either party unless made in writing and signed by both parties.
- D. No U.S. government procurement regulations will be deemed included hereunder or binding on either party unless specifically accepted in writing and signed by both parties.
- E. This Agreement will be governed by the laws of the State of California. The United Nations Convention on Contracts for the International Sale of Goods is specifically excluded from application to this Agreement.

21. THE ADDENDA LISTED BELOW ARE ATTACHED TO AND MADE A PART OF THIS AGREEMENT.

- X ADDENDUM A (Territory, Products, Discounts, Volume and Purchase
----- Objectives)
- X ADDENDUM B (End User License)

- X ADDENDUM C (Limited Distribution Agreement for Reseller)

- X ADDENDUM D (Authorized Unit Approval Addendum)

- X ADDENDUM E (Year 2000 Readiness Disclosure)

22. AUTHORIZED SIGNATURES

<p>A. RESELLER</p> <p>/s/ Oliver Basada</p> <p>-----</p> <p>Authorized Signature</p> <p>-----</p> <p>Typed or Printed Name</p> <p>-----</p> <p>Title</p>	<p>B. PACKETEER</p> <p>-----</p> <p>Authorized Signature</p> <p>-----</p> <p>Typed or Printed Name</p> <p>-----</p> <p>Title</p>
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ADDENDUM A

1. TERRITORY

The World.

2. PRODUCT AND PRICES

<TABLE>

<CAPTION>

Product ID	Product Description	List Prices
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<S>	<C>	<C>
PS1000	PacketShaper 1000 Branch Office Bandwidth Management	\$ 4,000.00
PS2000	PacketShaper 2000 Business Critical Bandwidth Management	\$ 8,000.00
PS4000	PacketShaper 4000 Broadband Bandwidth Management	\$16,000.00
PM1000	ProSupport1000 Premium Maintenance Agreement	\$ 495.00
PM2000	ProSupport2000 Premium Maintenance Agreement	\$ 995.00
PM4000	ProSupport4000 Premium Maintenance Agreement	\$ 1,895.00
BM1000	ProSupport1000 Partner Maintenance Agreement	\$ 345.00
BM2000	ProSupport2000 Partner Maintenance Agreement	\$ 695.00
BM4000	ProSupport4000 Partner Maintenance Agreement	\$ 1,295.00

</TABLE>

3. DISCOUNT

A maximum discount of [*] will apply to the worldwide list prices of products listed above, as amended from time to time.

This discount will be implemented as follows:

- A discount of [*] off list prices of Products will be applied to all orders placed by Reseller.
- If the cumulative amount of orders placed by Reseller is below the US\$ [*] non binding Purchase Objective as defined below, then, Packeteer will pay Alcatel Business Systems a [*] pay-back so that the total discount reaches [*]. Such pay-back will be payable quarterly within sixty days of the close of the quarter.
- If the cumulative amount of orders placed by Reseller exceeds the US\$ [*] threshold then Packeteer will pay Alcatel Business Systems an additional [*] pay-back so that the maximum [*] discount level be reached. Such additional pay-back will be payable on an annual basis within 60 days of the close of the fiscal year.

The same pay-back mechanism and identical payment terms will be applied to orders placed during the 2000 fiscal year with respect to the US\$ [*] non binding Purchase Objective.

4. NON BINDING PURCHASE OBJECTIVES

Non binding quarterly Purchase Objectives will be provided by Alcatel. The overall non binding Purchase Objective cumulated for the 1999 fiscal year and the 2000 fiscal year is US\$ [*]. It is expected that US\$ [*] will be made in fiscal year 1999 and US\$ [*] will be made in fiscal year 2000.

* Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

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ADDENDUM B

PACKETEER END USER AGREEMENT

THE FOLLOWING IS A SAMPLE FORM OF THE PACKETEER END USER AGREEMENT AS OF THE EFFECTIVE DATE:

"THIS AGREEMENT IS PROOF OF YOUR RIGHT TO USE THE SOFTWARE CONTAINED IN THE PACKETEER PACKETSHAPER PRODUCT AND CONTAINS ADDITIONAL INFORMATION CONCERNING PACKETEER'S PRODUCT WARRANTY AND LIMITATIONS OF LIABILITY. PLEASE READ IT CAREFULLY.

THIS AGREEMENT IS BETWEEN YOU (EITHER AN INDIVIDUAL OR AN ENTITY) AND PACKETEER, INC. ("PACKETEER"). PACKETEER IS WILLING TO GRANT YOU THE FOLLOWING RIGHTS TO USE THE SOFTWARE INCORPORATED IN OR SUPPLIED WITH THE PACKETEER PACKETSHAPER PRODUCT AND ITS ACCOMPANYING DOCUMENTATION (COLLECTIVELY, THE "PACKETEER SOFTWARE") ONLY IF YOU AGREE TO BE BOUND BY ALL OF THE TERMS OF THIS AGREEMENT. BY INSTALLING THE PRODUCT (THE "EQUIPMENT") OR USING THE PACKETEER SOFTWARE, YOU AGREE TO BE BOUND BY ALL THE TERMS OF THIS AGREEMENT. IF YOU DO NOT AGREE TO BE BOUND BY ANY OF THE TERMS OF THIS AGREEMENT, PACKETEER IS UNWILLING TO GRANT YOU ANY RIGHTS TO USE THE PACKETEER SOFTWARE AND YOU MUST NOT USE THE PACKETEER SOFTWARE OR THE EQUIPMENT; INSTEAD YOU MUST PROMPTLY RETURN THE EQUIPMENT AND PACKETEER SOFTWARE FOR A FULL REFUND TO PACKETEER OR TO THE AUTHORIZED PACKETEER RESELLER THAT PROVIDED YOU WITH THE PRODUCT.

1. OWNERSHIP: The Packeteer Software is and shall remain a proprietary product of Packeteer. Packeteer and Packeteer's suppliers shall retain ownership of all patents, copyrights, trademarks, trade names, trade secrets and other proprietary rights relating to or residing in the Packeteer Software and Equipment. Except for the license grant provided in Section 2, you shall have no right, title or interest in or to the Packeteer Software. The Packeteer Software is licensed, not sold, to you for use only under the terms of this Agreement.

2. GRANT OF LICENSE: Packeteer grants you a non-transferable (except as set forth in this Section) non-exclusive, restricted right to use the Packeteer Software as incorporated in or supplied with the Equipment and solely in connection with the operation of the Equipment for your own internal business purposes. You understand that Packeteer may update the Packeteer Software at any time and in doing so incurs no obligation to furnish such updates to you pursuant to this Agreement. You may transfer the license to use the Packeteer Software only in connection with a sale or transfer of the Equipment and as included with the Equipment and not on a standalone basis, provided the buyer or transferee agrees to be bound by the terms and conditions of this Agreement.

3. RESTRICTIONS: Packeteer reserves all rights in the Packeteer Software not

expressly granted to you. Except as permitted in Section 2, you may not use, copy, modify, create derivative works of, distribute, sell, assign, pledge, sublicense, lease, loan, rent, timeshare, deliver or otherwise transfer the Packeteer Software, nor permit any other party to do any of the foregoing. You may not remove from the Packeteer Software, or alter, any of the trademarks, trade names, logos, patent or copyright notices or markings, or add any other notices or markings to the Packeteer Software. To the extent permissible by applicable law, you may not derive or attempt to derive the source code of the Packeteer Software by any means, nor permit any other party to derive or attempt to derive such source code. To the extent permissible by applicable law, you may not reverse engineer, decompile, disassemble, or translate the Packeteer Software or any part thereof.

4. LIMITED WARRANTY: Packeteer does not warrant that the functions contained in the Packeteer Software and Equipment will meet your requirements or that the operation of your Packeteer Software or Equipment will be uninterrupted or error free. Packeteer warrants that for a period of one year from your date of receipt of the Equipment and Packeteer Software, (i) the Equipment will be free of any defects in materials and workmanship and (ii) the Packeteer Software will perform substantially in accordance with the accompanying documentation. This limited warranty is void if failure of the Equipment or Packeteer Software to conform with the warranty has resulted from improper installation, testing, misuse, neglect, accident, fire or other hazard, or any breach of this Agreement.

5. LIMITED REMEDIES: In the event of a breach of the foregoing limited warranty, you must return the Equipment and Packeteer Software to Packeteer or the Packeteer authorized reseller that provided you with the Packeteer Software, postage prepaid, before the expiration of the warranty period, with a copy of the invoice for the unit. Packeteer's sole and exclusive obligation and your sole and exclusive remedy shall be, at Packeteer's sole discretion, to either (i) repair the Packeteer Software or Equipment; (ii) provide a replacement Equipment unit or a replacement copy of the Packeteer Software or (iii) refund the amount you paid for the unit and terminate this Agreement. Any replacement copy of the Packeteer Software or replacement Equipment unit will be warranted for the remainder of the original warranty period or thirty (30) days, whichever is longer.

6. NO OTHER WARRANTIES: OTHER THAN THE FOREGOING LIMITED WARRANTY, PACKETEER HEREBY EXPRESSLY DISCLAIMS ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION THE IMPLIED WARRANTIES OF TITLE, NON-INFRINGEMENT, FITNESS FOR A PARTICULAR PURPOSE AND MERCHANTABILITY. SOME JURISDICTIONS DO NOT ALLOW THE DISCLAIMER OF IMPLIED WARRANTIES, SO THE ABOVE DISCLAIMER MAY NOT APPLY TO YOU, IN WHICH CASE THE DURATION OF ANY SUCH IMPLIED WARRANTIES IS LIMITED TO SIXTY (60) DAYS FROM THE DATE THE EQUIPMENT AND PACKETEER SOFTWARE ARE RECEIVED BY YOU. THIS WARRANTY GIVES YOU SPECIFIC LEGAL RIGHTS. YOU MAY HAVE OTHER LEGAL RIGHTS WHICH VARY FROM JURISDICTION TO JURISDICTION.

7. LIMITATION OF LIABILITY: PACKETEER'S AGGREGATE LIABILITY IN CONNECTION WITH THIS AGREEMENT, THE PACKETEER SOFTWARE AND THE EQUIPMENT, REGARDLESS OF THE FORM OF THE ACTION GIVING RISE TO SUCH LIABILITY (WHETHER IN CONTRACT, TORT OR OTHERWISE), SHALL NOT EXCEED THE AMOUNT PAID BY YOU DIRECTLY TO PACKETEER OR PAID BY YOU TO PACKETEER THROUGH AN AUTHORIZED RESELLER. PACKETEER SHALL NOT BE LIABLE TO YOU FOR ANY INDIRECT, EXEMPLARY, SPECIAL, CONSEQUENTIAL OR INCIDENTAL DAMAGES OF ANY KIND (INCLUDING WITHOUT LIMITATION LOSS OF DATA, EQUIPMENT DOWNTIME OR LOST PROFITS), EVEN IF PACKETEER HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. SOME JURISDICTIONS DO NOT ALLOW THE LIMITATION OR EXCLUSION OF LIABILITY FOR CONSEQUENTIAL OR INCIDENTAL DAMAGES SO THE ABOVE

LIMITATION OR EXCLUSION MAY NOT APPLY TO YOU. THE LIMITED WARRANTY, LIMITED REMEDIES AND LIMITED LIABILITY PROVISIONS CONTAINED IN THIS AGREEMENT ARE FUNDAMENTAL PARTS OF THE BASIS OF PACKETEER'S BARGAIN HEREUNDER, AND PACKETEER WOULD NOT BE ABLE TO PROVIDE THE PACKETSHAPER TO YOU ABSENT SUCH LIMITATIONS.

8. GOVERNMENT END USERS: The Packeteer Software is comprised of "commercial computer software" and "commercial computer software documentation" as such terms are used in 48 C.F.R. 12.212 (SEPT 1995) and is provided to the Government (i) for acquisition by or on behalf of civilian agencies, consistent with the policy set forth in 48 C.F.R. 12.212; or (ii) for acquisition by or on behalf of units of the Department of Defense, consistent with the policies set forth in 48 C.F.R. 227-7202-1 (JUN 1995) and 227.7202-3 (JUN 1995).

9. EXPORT CONTROL: Since the Packeteer Software is subject to the export control laws of the United States, you may not export or re-export the Packeteer Software without the appropriate United States and foreign government licenses. You shall otherwise comply with all applicable export control laws and shall defend, indemnify and hold Packeteer and all Packeteer suppliers harmless from any claims arising out of your violation of such export control laws.

10. GENERAL: This Agreement shall for all purposes be governed by and interpreted in accordance with the laws of the State of California, USA, as those laws are applied to contracts entered into and to be performed entirely in California by California residents. The United Nations Convention on Contracts for the International Sale of Goods is specifically disclaimed. If any provision of this Agreement is held by a court of competent jurisdiction to be unenforceable for any reason, the remaining provisions hereof shall be unaffected and remain in full force and effect. This Agreement is the final, complete and exclusive agreement between the parties relating to the subject matter hereof, and supersedes all prior or contemporaneous understandings and agreements relating to such subject matter, whether oral or written. Should you have any questions regarding this Agreement, or if you desire to contact Packeteer for any reason, please write to: Packeteer, Inc., 10495 N. De Anza Blvd., Cupertino, California 95014, U.S.A."

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ADDENDUM C

LIMITED DISTRIBUTION AGREEMENT FOR RESELLER

As outlined in this addendum, Packeteer grants Reseller a non-transferable, non-exclusive right to act as a Distributor by supplying product to, training and supporting VARs engaged in the resale of Products to end users.

Territory in which Reseller can act as a Distributor: The World

When selling to eligible VARs in the Territory in which Reseller can act as a Distributor, the following terms apply:

1. DISTRIBUTOR PRICING: Reseller is eligible for an additional discount of [*] percentage points beyond the stated Reseller discount in Addendum A for products sold to VARs who resell to End Users. To obtain the additional discount, Reseller must either supply VAR information on relevant purchase orders or, if selling product from inventory, request a credit when submitting monthly POS reports.

2. DEFECTIVE UNITS: Packeteer will repair, replace or provide credit to Reseller for any Packeteer Product found defective by Reseller's VAR within 45 days of Product shipment from Reseller to Reseller's VAR and prior to its sale to the End User.
3. DISTRIBUTOR RESPONSIBILITIES: Reseller will provide first line technical support and sales support for the Products sold to its VARs.
4. RECORD KEEPING: Reseller must indicate in monthly POS reports the customers that are VARs, .
5. LIMITATION OF REMEDIES AND LIABILITY: The limitations stated in the Reseller Agreement about commitments made by Reseller to its End Users also apply to commitments made by Reseller to its VARs and commitments made by Reseller's VARs to their End Users.

* Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

ADDENDUM D

Authorized Unit Approval Addendum

This Agreement is made this Day of 1999, between (i) Alcatel Business Systems, a French Company with its registered office located in 12, rue de la Baume, 75008 Paris - France ("Alcatel") and (ii) Packeteer Inc., a company incorporated in ("Packeteer") and (iii).....
 (the "Unit")

PREAMBLE

Whereas Alcatel and Packeteer entered into a Reseller Agreement (the "Reseller Agreement") dated, 1999 for the distribution of certain Packeteer Products further described in Addendum A thereto.

Whereas the Reseller Agreement provides that Authorized Units may place orders directly with Packeteer for the Products if such companies agree in writing to be bound by the terms of the Reseller Agreement.

Whereas the Unit desires to be authorized to purchase Products under the terms of the Reseller Agreement; and

Whereas, to that effect, this Agreement shall serve to bind the Unit to the terms and conditions of the Reseller Agreement.

AGREEMENT:

1. Defined terms in this Agreement shall have the same meaning as in the Reseller Agreement.
2. The Unit agrees to be bound in all regards under the terms and

conditions of the Reseller Agreement.

- 3. The Unit understands that it is solely responsible for payment for any Products that are acquired from Packeteer under the Reseller Agreement. All invoices to the Unit should be sent to:

.....

 Attn:

- 4. All notices required to be given under this Agreement will be in writing, by fax or through electronic transmission and sent to the address set above (or to such other address as the Unit shall designate by written notice to Packeteer).

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- 5. Subject to the foregoing under the terms of the Reseller Agreement, the Unit is hereby authorized to purchase Products from Packeteer as an Authorized Unit under the Reseller Agreement.

 Packeteer,

 Alcatel Business Systems,

 "Unit",

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ADDENDUM E

PACKETEER, INC. YEAR 2000 READINESS DISCLOSURE

Last Updated: November 26, 1998

Packeteer, Inc. is pleased to provide its Year 2000 Readiness Disclosure, which is intended to assist you in assessing your Year 2000 needs.

Packeteer, Inc. considers a product Year 2000 ready if the product's performance and functionality are unaffected by processing of dates just prior to, during, and just after the Year 2000, provided that all hardware, firmware, software and databases used in combination with the product properly exchange accurate and correctly formatted date data with the product.

Packeteer, Inc. products that are Year 2000 ready:

- PacketShaper Model 1000 v3.00
- PacketShaper Model 2000 v3.00

Based on testing to date, users of these products in the designated versions (or later) will not need any additional upgrades for Year 2000 readiness.

This statement CONSTITUTES WARRANTY, for year 2000 compliance purposes only. Packeteer, Inc.'s obligations and responsibilities regarding Packeteer products are governed solely by the agreements under which they are sold or licensed. LIMITATION OF LIABILITY: PACKETEER'S AGGREGATE LIABILITY IN CONNECTION WITH THIS STATEMENT, THE PACKETEER SOFTWARE AND THE EQUIPMENT, REGARDLESS OF THE FORM OF THE ACTION GIVING RISE TO SUCH LIABILITY (WHETHER IN CONTRACT, TORT OR OTHERWISE), SHALL NOT EXCEED THE AMOUNT PAID BY YOU TO PACKETEER. PACKETEER SHALL NOT BE LIABLE TO YOU FOR ANY INDIRECT, EXEMPLARY, SPECIAL, CONSEQUENTIAL OR INCIDENTAL DAMAGES OF ANY KIND (INCLUDING WITHOUT LIMITATION LOSS OF DATA, EQUIPMENT DOWNTIME OR LOST PROFITS), EVEN IF PACKETEER HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. SOME JURISDICTIONS DO NOT ALLOW THE LIMITATION OR EXCLUSION OF LIABILITY FOR CONSEQUENTIAL OR INCIDENTAL DAMAGES SO THE ABOVE LIMITATION OR EXCLUSION MAY NOT APPLY TO YOU. THE LIMITED WARRANTY, LIMITED REMEDIES AND LIMITED LIABILITY PROVISIONS CONTAINED IN THIS AGREEMENT ARE FUNDAMENTAL PARTS OF THE BASIS OF PACKETEER'S BARGAIN HEREUNDER, AND PACKETEER WOULD NOT BE ABLE TO PROVIDE THE PACKETSHAPER TO YOU ABSENT SUCH LIMITATIONS. If you are aware of any problems with our products which we have described as Year 2000 ready, or if you have any questions, please bring them to our attention immediately by contacting your customer by contacting Packeteer, Inc. directly as set forth below.

By Mail: Packeteer, Inc.
Director of Customer Operations
10495 N. De Anza Blvd.
Cupertino, CA 95014
By Phone: (408) 873-4400
By Email: support@packeteer.com

LUCENT TECHNOLOGIES INC.
STANDARD OEM PURCHASE AGREEMENT TERMS AND CONDITIONS

Agreement No. SC11990054
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Packeteer Inc.
10495 N. De Anza Blvd.
Cupertino, CA 95014

This Agreement is made by and between Lucent Technologies Inc. ("Company") having an office at 188 Mt Airy Road, Basking Ridge, NJ 07920 and Packeteer Inc. ("Supplier") having an office at 10495 N. De Anza Blvd., Cupertino, CA 95014. Company agrees to purchase and Supplier agrees to sell in accordance with the terms and conditions stated in this Agreement and any attachments to this Agreement.

WHEREAS, Company wishes to purchase products of Supplier's (design and) manufacture for resale to Company's customers, and

WHEREAS, Supplier desires to sell such materials to Company for resale to Company's customers,

THEREFORE, the parties agree as follows

1. AGREEMENT EFFECTIVE PERIOD

The term of this Agreement shall commence on, June 25, 1999, and shall, except as otherwise provided in this Agreement, continue in effect thereafter until September 21, 2003.

2. MATERIAL

"MATERIAL" as used in this Agreement shall mean Supplier's PacketShaper Products as listed in APPENDIX A, attached and made a part of this Agreement. Such MATERIAL is hereby offered for sale of hardware and license to software by Supplier and may be purchased by Company in accordance with the terms, conditions and specifications stated in this Agreement. This Agreement is a non-commitment agreement and MATERIAL shall be furnished by Supplier on an as-ordered basis.

"Specification(s)" as used in this Agreement shall mean all of the specifications made part of this Agreement.

3. OPTION TO EXTEND

Company shall have the right to extend the period specified in the section "AGREEMENT EFFECTIVE PERIOD" for up to twelve (12) months by giving Supplier at least thirty (30) business days prior written notice.

Within ten (10) business days of the date of Company's notice to extend the period, Supplier shall notify Company in writing whether Supplier proposes to revise the price(s) under this Agreement. If the parties fail to agree on the revised price(s) within twenty (20) business days after the date of Supplier's notice, Company's notice of extension shall be considered withdrawn and prices for outstanding orders or orders placed during the term of this Agreement shall not be revised.

4. PRICE AND DISCOUNTS

Prices shall be as shown in APPENDIX A. [*]. Supplier shall notify Company [*] in advance of any proposed price increase. Orders placed prior to the proposed effective date shall not be affected by the proposed price revision. If Company and Supplier fail to agree upon prices by the proposed effective date, Company reserves the right to terminate this Agreement and any outstanding purchase orders placed against this Agreement without any cost to or liability or obligation of Company.

5. COST REDUCTION

Both parties shall endeavor to reduce the costs of products furnished under this Agreement.

6. BEST PRICE

If, at any time during the term of this Agreement Supplier should sell to any customer other than to affiliates or subsidiaries of Supplier, material at least equal or similar quality and volume at a price lower than that in effect under this Agreement, Company shall pay such lower price on all deliveries of MATERIAL which are made during the period when such lower price is in effect Subject to Company's obligations including without limitation, Company's obligations of confidentiality, and upon ten (10) days written notice and not more than twice per calendar year, a qualified third party, reasonably acceptable to both parties, may audit Supplier's applicable books and records for the purpose of verifying Supplier's compliance with this provision. Such third party shall be subject to a confidentiality agreement and any report shall be limited to verifying Supplier's obligations under this section.

7. TERMS OF PAYMENT

Net thirty (30) business days from the date of shipment of the MATERIAL to Company, or designate, or receipt of the applicable invoice.

* Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

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8. FORECASTS

Company shall provide Supplier with a [*] forecast submitted to Supplier by the fifth (5th) business day of each calendar month. Such forecast shall be used by Supplier for planning purposes only and shall not be deemed a commitment by Company to purchase the MATERIAL shown in the forecast.

9. FOB

The MATERIAL shall be shipped FOB Supplier's location (or such other Supplier's location as may be designated by Supplier). Company shall select the carrier(s) and provide the name(s) of the carrier(s) and Company's account number(s) with said carriers to Supplier within thirty (30) days of execution of this Agreement.

10. FREIGHT CLASSIFICATION

MATERIAL purchased under this Agreement shall be shipped to Company or Company's customers subject to freight charges appropriate for goods classified as Data Communication Products. Supplier shall indicate on the bill of lading that Company's contract rates apply.

11. NON-EXCLUSIVE MARKET RIGHTS

This Agreement neither grants to Supplier an exclusive right or privilege to sell to Company any or all products of the type described in the MATERIAL section which Company may require, nor requires the purchase of any MATERIAL or other products from Supplier by Company. Therefore, Company may contract with other manufacturers and suppliers for the procurement of comparable products. In addition, Company shall, at its sole discretion, decide the extent to which Company will market advertise, promote, support or otherwise assist in further offerings of the MATERIAL.

Purchases by Company under this Agreement shall neither restrict the right of Company to cease purchasing nor require Company to continue any level of such purchases. Company's right to any supply of MATERIAL hereunder is non-exclusive except for MATERIAL marked with INSIGNIA.

Supplier shall have the right to supply comparable products to third parties.

12. SPECIFICATIONS OR DRAWINGS

Supplier's standard commercial specifications (data sheets) are included by reference and further defined in APPENDIX B ("Specifications"). Supplier shall manufacture MATERIAL in accordance with Specifications, so that MATERIAL conforms to such Specifications.

In accordance with the notification requirements outlined in Section "PRODUCT CHANGES", Supplier shall provide Company with at least thirty (30) business days prior written notice of any hardware change, and any notification of any software change

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to be made by Supplier in the MATERIAL furnished pursuant to said Specifications under this Agreement.

If Company, in its sole discretion, does not agree to the change proposed by Supplier, Company may submit a Modification Request to address the change. If the Company's Modification Request is not an acceptable solution, then in lieu of all other rights and remedies at law or equity or otherwise, and without any cost to or liability or obligation of Company, Company shall have the right to terminate this Agreement .

Supplier shall continue to supply MATERIAL to Company pursuant to the Specifications for the term of the Agreement. If Supplier is unable to continue to thus supply or discontinues manufacture of MATERIAL, Company shall be entitled to three (3) month's advance notice, provided (i) the discontinuance is at Supplier's election and (ii) there has been a reasonable amount of purchases during the period preceding Supplier's notice of discontinuance.

13. ASSIGNMENT

Supplier shall not assign any right or interest under this Agreement (excepting solely for moneys due or to become due) without the prior written consent of Company, provided however, no such consent shall be required in connection with the sale of all or substantially all of the business of Supplier related to MATERIAL or in connection with any merger, reorganization or sale of Supplier. Except where Company has specified a designated subcontractor, Supplier shall be responsible to Company for all

work performed by Supplier's subcontractor(s) at any tier. In the event of an assignment, Company may terminate this Agreement or an order, in whole or in part, by written notice to Supplier. In such case, Company's liability shall be limited to payment of the amount due for Work performed and/or MATERIAL provided by Supplier up to and including the date of termination.

14. BANKRUPTCY AND TERMINATION FOR FINANCIAL INSECURITY

Either party may terminate this Agreement by notice in writing:

- (i) if the other party makes an assignment for the benefit of creditors (other than solely an assignment of monies due); or:
- (ii) if the other party evidences an inability to pay debts as they become due, unless adequate assurance of such ability to pay is provided within thirty (30) days of such notice.

If a proceeding is commenced under any provision of the United States Bankruptcy Code, voluntary or involuntary, by or against either party, and this Agreement has not been terminated, the non-debtor party may file a request with the bankruptcy court to have the court set a date within sixty (60) days after the commencement of the case, by which the debtor party will assume or reject this

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Agreement, and the debtor party shall cooperate and take whatever steps necessary to assume or reject the Agreement by such date.

15. CFC PACKAGING

Supplier warrants that all packaging materials furnished under this Agreement and all packaging associated with MATERIAL furnished under this Agreement were not manufactured using and do not contain chlorofluorocarbons. "Packaging" means all bags, wrapping, boxes, cartons and any other packing materials used for packaging. Supplier shall indemnify and hold Company harmless for any liability, fine or penalty incurred by Company to any third party or governmental agency arising out of Company's good faith reliance upon said warranty.

16. CHOICE OF LAW

This Agreement and all transactions under it shall be governed by the laws of the State of New Jersey excluding its choice of laws rules and excluding the Convention for the International Sale of Goods. Supplier agrees to submit to the jurisdiction of any court wherein an action is commenced against Company based on a claim for which Supplier has agreed to indemnify Company under this Agreement.

17. COMPLIANCE WITH LAWS

Supplier and Company and all persons furnished by Supplier and Company shall comply at their own expense with all applicable laws, ordinances, regulations and codes, export regulations, including the identification and procurement of required permits, certificates, licenses, insurance, approvals and inspections in performance under this Agreement.

18. CONTINUING AVAILABILITY

Supplier shall offer for sale to Company, during the term of this Agreement and for at least six (6) months after the expiration of this Agreement, MATERIAL conforming to the Specifications set forth in this Agreement. Supplier further shall offer for sale to Company, during the term of this Agreement and until [*] after the expiration of this Agreement, maintenance, replacement, and repair parts ("Parts") which are functionally equivalent for the MATERIAL covered by this Agreement. The price for the MATERIAL and Parts shall be the price set forth in Supplier's then current agreement with Company for said MATERIAL or Parts or, if no such agreement exists, at a price agreed upon by Company and Supplier. If the parties fail to agree on a price, the price shall be a reasonably competitive price for said MATERIAL or Parts at the time for delivery. The MATERIAL and Parts shall be warranted as set forth in the "WARRANTY" section of this Agreement. The term "Parts" is included in the term "MATERIAL."

In the event Supplier fails to supply such MATERIAL or Parts and Supplier is unable to obtain another source of supply for Company, then Company and Supplier shall endeavor to develop an alternative method of provisioning MATERIAL or parts, which

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may include licensing Manufacturing Rights to Company. At that time, both parties shall determine necessary measures required for Company to obtain MATERIAL under this license.

19. DEFAULT

If either Supplier or Company shall be in breach or default of any of the terms, conditions or covenants of this Agreement or of any purchase order, and if such breach or default shall continue for a period of thirty

(30) days after the giving of written notice to the other party then, in addition to all other rights and remedies which each party may have at law or equity or otherwise, Supplier or Company shall have the right to cancel this Agreement and/or any purchase orders placed by Company without any charge to or obligation or liability of either party.

20. ELECTRONIC DELIVERY SERVICE

Supplier agrees, if requested by Company, to implement Electronic Delivery Service (EDS) ordering arrangements as an electronic means of trading business document with Company when it can reasonably accomplish the task. The electronic business documents include purchase orders, acknowledgments, purchase order changes, ship notices, remittance advice, or such purchasing communications as may be requested by Company for transaction under this Agreement.

21. EPIDEMIC CONDITION

If during the term of this Agreement and for [*] after the last shipment date of MATERIAL under this Agreement Company notifies Supplier that MATERIAL shows evidence of an "Epidemic Condition," Supplier shall prepare and propose a Corrective Action Plan ("CAP") with respect to such MATERIAL within fifteen (15) working days of such notification, addressing implementation and procedure milestones for remedying such Epidemic Condition(s). An extension of this time-frame is permissible upon mutual written agreement of the parties.

Upon notification of the Epidemic Condition to Supplier, Company shall have the right to postpone all or part of the shipments of unshipped MATERIAL, by giving written notice of such postponement to Supplier, pending correction of the Epidemic Condition. Such postponement shall temporarily relieve Supplier of its shipment liability and Company of its shipment acceptance liability. Should Supplier not agree to the existence of an Epidemic Condition or should Company not agree to the CAP, then Company shall have the right to suspend all or part of its unshipped orders without liability to Company until such time as a mutually acceptable solution is reached.

An Epidemic Condition will be considered to exist when one or more of the following conditions occur:

(1) Failure reports or statistical samplings show that MATERIAL shipped contain a potential safety hazard (such as personal injury or death, fire, explosion, toxic

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emissions, etc.), or exhibit a highly objectionable symptom (such as emissions of smoke, loud noises, deformation of housing) or other disconcerting symptoms of this type.

(2) Reliability plots of relevant data indicate that the MATERIAL has actual Mean Time Between Failures (MTBF) of less than 80% of the MTBF stipulated in the Specification. The MTBF parameter of MATERIAL is defined as the total operating or power-on time of any population under observation ("T"), in hours, divided by the total number of critical failures ("n") that have occurred during the observed period. A critical failure is defined as a failure to operate per the requirements of the Specification. The total operating time of a population is the summation of operating time of individual units in that population. MTBF is expressed as $MTBF = T/n$. An Epidemic Condition shall exist when data derived from populations being tracked confirms the condition with 80% confidence. (3) MATERIAL Dead on Arrival (DOA) failures exceed the Epidemic DOA failure rate which is defined as $1.2 \times DOA$ specified in the section of this Agreement entitled PRODUCT CONFORMANCE REVIEW.

Only major hardware failures and visual/mechanical/appearance defects are considered for determining Epidemic Condition. MATERIAL could be either sampled or, a Company's option, 100% audited at Company warehouses, factories or Company's customers' locations. If MATERIAL is sampled, the data must have 80% or better statistical confidence.

For the purpose of this Agreement, functional DOA shall be defined as any MATERIAL that during the test, installation or upon its first use fails to operate in accordance with the Specifications as defined or specified in writing. Visual/mechanical/appearance DOA is defined as any MATERIAL containing one or more major defects that would make the MATERIAL unfit for use or installation.

An Epidemic Condition shall not include failures due to customer misapplication, utilization of parts not approved by Supplier, or chain failures induced by internally or externally integrated subassemblies.

In the event that Supplier develops a remedy for the defect(s) that caused the Epidemic Condition and Company agrees in writing that the remedy is acceptable, such acceptance shall not be unreasonably withheld or delayed, Supplier shall:

(a) Incorporate the remedy in the affected MATERIAL in accordance with Company's written instructions.

(b) Ship all subsequent MATERIAL incorporating the required modification correcting the defect(s) at no additional charge to Company; and

(c) Repair and/or replace MATERIAL that caused the Epidemic Condition. In the event that Company incurs reasonable and documented costs due to such repair and/or

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replacement, including but not limited to labor and shipping costs, Company shall supply such documentation and Supplier shall reimburse Company for such reasonable costs. Supplier shall bear risk of in transit loss and damage for such repaired and/or replaced MATERIAL.

Supplier and Company shall mutually agree in writing as to the remedy's implementation schedule. Supplier shall use its best efforts to implement the remedy in accordance with the agreed-upon schedule.

If Supplier is unable to develop a mutually agreeable remedy, or does not adequately take into account the business interests of Company, as reasonably agreed by the parties, Company may (1) develop and implement such remedy and, in such case, implementation costs and risk of in-transit loss and damage shall be allocated between the parties as set forth in this section, and/or (2) cancel postponed orders without liability and return all MATERIAL affected by such Epidemic Condition for full refund, payable by Supplier within thirty (30) business days after receipt of returned MATERIAL (with risk of loss or in-transit damage borne by Supplier) and/or (3) terminate this Agreement without further liability.

22. EXPORT CONTROL

Supplier and Company will not use, distribute, transfer or transmit any products, software or technical information (even if incorporated into other products) provided under this Agreement except in compliance with U.S. export laws and regulations (the "Export Laws"). Supplier and Company will not, directly or indirectly, export or re-export the following items to any country which is in the then current list of prohibited countries specified in the applicable Export Laws: (a) software or technical data disclosed or provided to Supplier by Company or by Company to Supplier or Company's subsidiaries or affiliates; or (b) the direct product of such software or technical data. Supplier and Company agree to promptly inform the other party in writing of any written authorization issued by the U.S. Department of Commerce office of export licensing to export or re-export any such items referenced in (a) or (b). The obligations stated above in this clause will survive the expiration, cancellation or termination of this Agreement or any other related agreement.

23. FORCE MAJEURE

Neither party shall be held responsible for any delay or failure in performance of any part of this Agreement (except for the obligation to

pay money) to the extent such delay or failure is caused by fire, flood, strike, civil, governmental, or military authority, act of God, or other similar causes beyond its control and without the fault or negligence of the delayed or non performing party or its subcontractors. Supplier's liability for loss or damage to Company's MATERIAL in Supplier's possession or control shall not be modified by this section. When a party's delay or nonperformance continues for a period of at least fifteen (15) days, the other party may terminate, at no charge, this Agreement or an order under the Agreement.

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24. GOVERNMENT CONTRACT PROVISIONS

The following provisions regarding equal opportunity, and all applicable laws, rules, regulations and executive orders specifically related thereto, including applicable provisions and sections from the Federal Acquisition Regulation and all supplements thereto are incorporated in this Agreement as they apply to work performed under specific U.S. Government contracts: 41 CFR 60-1.4, Equal Opportunity; 41 CFR 60-1.7, Reports and Other Required Information; 41 CFR 60-1.8, Segregated Facilities; 41 CFR 60-250.4, Affirmative Action For Disabled Veterans and Veterans of the Vietnam Era (if in excess of \$10,000); and 41 CFR 60-741.4, Affirmative Action for Disabled Workers (if in excess of \$2,500), wherein the terms "contractor" and "subcontractor" shall mean "Supplier". In addition, orders placed under this Agreement containing a notation that the material or services are intended for use under Government contracts shall be subject to such other Government provisions printed, typed or written thereon, or on the reverse side thereof, or in attachments thereto.

25. HEAVY METALS IN PACKAGING

Supplier warrants to Company that no lead, cadmium, mercury or hexavalent chromium have been intentionally added to any packaging or packaging component (as defined under applicable laws) to be provided to Company under this Agreement and that packaging materials were not manufactured using and do not contain chlorofluorocarbons. Supplier further warrants to Company that the sum of the concentration levels of lead, cadmium, mercury and hexavalent chromium in the package or packaging component provided to Company under this Agreement does not exceed 100 parts per million. Upon request, Supplier shall provide to Company Certificates of Compliance certifying that the packaging and/or packaging components provided under this Agreement are in compliance with the requirements set forth above in this section.

26. IDENTIFICATION

Except where provided by law, neither party shall, without the other

party's prior written consent, which consent shall not be unreasonably withheld, engage in publicity related to this Agreement, or make public use of any Identification in any circumstances related to this Agreement. "Identification" means any semblance of any trade name, trademark, service mark, insignia, symbol, logo, or any other designation, or drawing of either party or its affiliates. Supplier shall remove or obliterate any Identification prior to any use or disposition of any MATERIAL rejected or not purchased by Company.

27. INDEMNITY

At Company's request, Supplier agrees to indemnify, defend and hold harmless Company, its affiliates, customers, employees, successors and assigns (all referred to as "Company") from and against any losses, damages, claims, fines, penalties and expenses (including reasonable attorney's fees) that arise out of or result from: (i) injuries or death to persons or damage to property, including theft, in any way arising out of or caused or alleged to have been caused by the Work or services performed by, or material provided by Supplier or persons furnished by Supplier; (ii) assertions under

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Workers' Compensation or similar acts made by persons furnished by Supplier; or (iii) any failure of Supplier to perform its obligations under this Agreement; provided however, Supplier shall not be liable for any expense or settlement under this section unless Supplier shall have complete control of the defense of any claim or settlement, and Company timely notifies Supplier of any claim or allegation and shall cooperate, at Supplier's expense, in good faith with Supplier to facilitate the defense of any such claim or allegation. Supplier agrees not to make any admissions that would be detrimental to Company.

28. INFRINGEMENT

Supplier shall indemnify and save harmless Company, its affiliates and their customers, officers, directors, employees (all referred to in this section as "Company") from and against any losses, damages, liabilities, fines, penalties, and expenses (including reasonable attorneys' fees) that arise out of or result from any and all claims (i) of infringement of any patent, copyright, trademark or trade secret right, or other intellectual property right, private right, or any other proprietary or personal interest, and (ii) related by circumstances to the existence of this Agreement or performance under or in contemplation of it (an Infringement Claim). If the Infringement Claim arises solely from Supplier's adherence to Company's written instructions regarding services or tangible or intangible goods provided by Supplier (Items) and if the Items are not (i) commercial items available on the open market or the same as such items, or (ii) items of Supplier's designated origin, design

or selection, Company shall indemnify Supplier. Company or Supplier (at Company's request) shall defend or settle, at its own expense any demand, action or suit on any Infringement Claim for which it is indemnitor under the preceding provisions; provided however, the party shall not be liable for any expense or settlement under this section unless such party shall have complete control of the defense of any Infringement Claim or settlement and each shall timely notify the other of any assertion against it or any Infringement Claim and shall cooperate in good faith with the other to facilitate the defense of any such Claim.

29. INSIGNIA

Upon Company's written request, "Insignia", including certain trademarks, trade names, insignia, symbols, decorative designs or packaging designs of Company, or evidences of Company's inspection will be properly affixed by Supplier to the MATERIAL furnished or its packaging. Such Insignia will not be affixed, used or otherwise displayed on the MATERIAL furnished or in connection therewith without written approval by Company. The manner in which such Insignia will be affixed must be approved in writing by Company in accordance with standards established by Company. Company shall retain all right, title and interest in any and all packaging designs, finished artwork and separations furnished to Supplier. This section does not reduce or modify Supplier's obligations under the "IDENTIFICATION" and "USE OF INFORMATION" section.

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30. INSURANCE

Supplier shall maintain and cause Supplier's subcontractors to maintain during the term of this Agreement: (i) Workers' Compensation insurance as prescribed by the law of the state or nation in which the Work is performed; (ii) employer's liability insurance with limits of at least \$500,000 for each occurrence; (iii) automobile liability insurance if the use of motor vehicles is required, with limits of at least \$1,000,000 combined single limit for bodily injury and property damage for each occurrence; (iv) Commercial General Liability ("CGL") insurance, iso 1988 or later occurrence form of insurance including Blanket Contractual Liability and Broad Form Property Damage, with limits of at least \$1,000,000 combined single limit for bodily injury and property damage for each occurrence; and (v) if the furnishing to Company (by sale or otherwise) of products or material is involved, CGL insurance endorsed to include products liability and completed operations coverage in the amount of \$5,000,000 per occurrence. All CGL and automobile liability insurance shall designate Company, its affiliates, and its directors, officers and employees (all referred to as "Company") as additional insured. All such insurance must be primary and non-contributory and required to respond and pay prior to any other insurance or self-insurance available. Any other coverage available to Company shall apply on an excess basis. Supplier

agrees that Supplier, Supplier's insurer(s) and anyone claiming by, through, under or in Supplier's behalf shall have no claim, right of action or right of subrogation against Company and its customers based on any loss or liability insured against under the foregoing insurance. Supplier and Supplier's subcontractors shall furnish prior to the start of Work, certificates or adequate proof of the foregoing insurance, including if specifically requested by Company, endorsements and insurance policies. Company shall be notified in writing at least thirty (30) days prior to cancellation of or any change in the policy. Insurance companies providing coverage under this Agreement must be rated by A-M Best with at least an A-rating.

31. INVOICING FOR GOODS

Supplier shall: (i) render original invoice, or as otherwise specified in this Agreement, showing Agreement and order number, through routing and weight, (ii) render separate invoices for each shipment, and (iii) mail invoices with copies of shipping notices to the address shown on this Agreement or order. If prepayment of transportation charges is authorized, Supplier shall include the transportation charges from the F.O.B. point to the destination as a separate item on the invoice stating the name of the carrier used.

32. INVOICING FOR STOCKS

If Company requests for reasons other than covered by Section "FORCE MAJEURE", that shipment be postponed beyond the date shown on a purchase order, Supplier may invoice Company as of the original scheduled delivery date for MATERIAL manufactured under this Agreement, if it has been inspected and approved by Company's designated quality organization (provided inspection has been specified in this Agreement or in an order issued under this Agreement).

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33. JURISDICTION

Subject to the section "MEDIATION", the parties agree that any action or legal proceeding arising out of this Agreement shall be brought only in a court of competent jurisdiction in the United States of America and the parties expressly submit to, and accepts the jurisdiction of, any such court in connection with such action or proceeding and the parties further consent to the enforcement of any judgment arising therefrom in any jurisdiction in which a losing party has or shall have any assets.

34. LICENSES

Except as provided in Section 42, no Licenses, express or implied, under any patents, copyrights, trademarks or other proprietary rights are

granted by Company to Supplier, or by Supplier to Company, under this Agreement or order.

35. MARKING

All MATERIAL furnished under this Agreement shall be marked for identification purposes in accordance with the specifications set forth in this Agreement and as follows:

- (a) with Supplier model/serial number; and
- (b) with month and year of manufacture.
- (c) with Company's Comcode

In addition, Supplier shall add any other identification which might be requested by Company such as but not limited to indicia conforming to the Company's Serialization Plan (KS-23490) as shown in APPENDIX E. Charges, if any, for such additional identification marking shall be as agreed upon by Supplier and Company. This section does not reduce or modify Supplier's obligations under the "IDENTIFICATION" section.

36. MEDIATION

If a dispute relates to this Agreement, or its breach, and the parties have not been successful in resolving such dispute through negotiation for not more than thirty (30) days from the notice by either party of such a dispute, the parties shall attempt to resolve the dispute through mediation by submitting the dispute to a sole mediator selected by the parties or, at any time at the option of a party, to mediation by the American Arbitration Association ("AAA"). Each party shall bear its own expenses and an equal share of the expenses of the mediator and the fees of the AAA. All defenses based on passage of time shall be suspended pending the termination of the mediation. Nothing in this section shall be construed to preclude any party from seeking injunctive relief in order to protect its rights pending mediation.

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37. MONTHLY ORDER AND SHIPMENT REPORTS

Supplier shall render monthly order and shipment reports on or before the fifth working day of the succeeding month containing the information required on report form APPENDIX C. These forms will be furnished by Company.

38. NEW AND CHANGED METHODS, PROCESSES AND EQUIPMENT

Supplier shall keep abreast of major developments in Supplier's

industry and to promptly advise Company of any developments which might affect the production of any MATERIAL under this Agreement.

39. NON DISCLOSURE AGREEMENT

Whereas Company and Supplier each expect to disclose to the other party certain information concerning products, business and strategies which are considered confidential and proprietary and which neither party wants to disclose to others, they have entered into a Non Disclosure Agreement. A copy of the Non Disclosure Agreement is attached hereto and made a part hereof, as APPENDIX D. This section does not reduce or modify Supplier's obligations under Section "USE OF INFORMATION."

40. NON WAIVER

The failure of either party at any time to enforce any right or remedy available to it under this Agreement or otherwise with respect to any breach or failure by the other party shall not be construed to be a waiver of such right or remedy with respect to any other breach or failure by the other party.

41. NOTICES

Any notice given or demand which under the terms of this Agreement or under any statute must or may be given or made by Supplier or Company shall be in writing and shall be given or made by confirmed facsimile, or similar communication or by certified or registered mail addressed to the respective parties as follows

To Company: Lucent Technologies Inc.
Global Procurement Organization
188 Mt. Airy Road
Room C222
Basking Ridge, NJ 07920

Attn.: [*]

-OR-

To Supplier: Packeteer Inc.
10495 N. De Ariza Blvd.
Cupertino, CA 95014

Attn: Bill Klaus

* Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

Such notice or demand shall be deemed to have been given or made when sent by facsimile, or other communication or when deposited, postage prepaid in the U.S. mail. The above addresses may be changed at any time by giving prior written notice as above provided.

42. OPERATING SYSTEM SOFTWARE

The term MATERIAL includes any software (operating program in machine readable form and related documentation) and storage media therefor normally furnished with or embedded in the MATERIAL. Title to the software, including copyright, shall remain in Supplier. The party having title to the MATERIAL shall have title to the software storage media. For the life of the MATERIAL listed in this Agreement, Supplier grants to Company and any subsequent purchaser, lessee or other end user (referred to collectively in this section as "end user") a non-exclusive license to use said software on the MATERIAL on which it was delivered and only in accordance with Supplier's documentation. Company and any subsequent end user may not copy the software included on any storage media of the MATERIAL except as such copy may be created by the execution or loading of such software. Company will not reverse compile or disassemble the software. Company will include and display all proprietary notices and/or copyrights in or on the software in the form delivered by the Supplier when the MATERIAL is operational.

43. OZONE DEPLETING CHEMICALS

Supplier hereby warrants that it is aware of international agreements and pending legislation in several nations, including the United States, which would limit, ban and/or tax importation of any product containing, or produced using ozone depleting chemicals ("ODCs"), including chlorofluorocarbons, halons and certain chlorinated solvents. Supplier hereby warrants that the MATERIAL furnished to Company will conform to all applicable requirements established pursuant to such agreements, legislation and regulations, and the MATERIAL furnished to Company will be able to be imported and used lawfully (and without additional taxes associated with ODCs not reported to Company by Supplier as set forth in this section) under all such agreements, legislation and requirements. Supplier also warrants that it is currently reducing, or if Supplier is not the manufacturer of the MATERIAL, is currently causing the manufacturing vendor to reduce and will, in an expeditious manner, eliminate, or, as applicable, have its manufacturing vendor eliminate the use of ODCs in the manufacture of the MATERIAL.

If the MATERIAL furnished by Supplier under this Agreement is manufactured outside the United States, Supplier shall, upon execution of this Agreement, and at any time that new products are added to this Agreement or changes are made to the MATERIAL furnished under this

Agreement, complete, sign and return to Company the attached ODC Content Certification. The ODC Content Certification must be signed by Supplier's facility manager, corporate officer or his delegate.

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The term "ODC content" on the ODC Content Certification means the total pounds of ODC used directly in the manufacture of each unit of MATERIAL. This includes all ODCs used in the manufacturing and assembly operations for the MATERIAL plus all ODCs used by Supplier's vendors and any other vendors in producing components or other products incorporated into the MATERIAL sold to Company.

Supplier is responsible to obtain information on the ODC content of all components and other products acquired to manufacture the MATERIAL and to incorporate such information into the total ODC content reported to Company. Provided however, that Supplier should not include in the ODC content those components or other products which are manufactured in the United States. Supplier hereby warrants to Company that all information furnished by Supplier on the ODC Content Certification is complete and accurate and that Company may rely on such information for any purpose, including but not limited to providing reports to government agencies or otherwise complying with applicable laws. Supplier shall defend, indemnify and hold Company harmless of and from any claims, demands, suits, judgments, liabilities, fines, penalties, costs and expenses (including additional ODC taxes as provided for in paragraph one of this section and reasonable attorney's fees) which Company may incur under any applicable federal, state, or local laws or international agreements, and any and all amendments thereto by reason of Company's use of reliance on the information furnished to Company by Supplier on the ODC Content Certification or by reason of Supplier's breach of this section. Supplier shall cooperate with Company in responding to any inquiry concerning the use of ODCs to manufacture the MATERIAL or components thereof and to execute without additional charge any documents reasonably required to certify the absence or quantity of ODCs used to manufacture the MATERIAL or components thereof.

44. OZONE DEPLETING SUBSTANCES LABELING

Supplier warrants and certifies that all MATERIAL and other products, including packaging and packaging components, provided to Company under this Agreement have been accurately labeled, in accordance with the requirements of 40 CFR, Part 82 entitled "Protection of Stratospheric Ozone, Subpart E- The Labeling of Products Using Ozone Depleting Substances."

45. PACKING, LABELING AND SERIALIZATION

MATERIAL purchased, repaired, replaced or refurbished under this

Agreement shall be packed, labeled and serialized by Supplier at no additional charge in accordance with specifications PKG-91NJ1045 "Packaging, Packing, Palletization, Labeling and Marking Requirements for Material being Delivered to Lucent Technologies Manufacturing and Distribution Locations", and KS-23490 "Product Bar Code, Serial and Comcode Label," as changed from time to time with Supplier's written approval, which Specifications are attached and made a part of this Agreement as APPENDIX E. Company shall pre-approve and if approved, incur the initial expenses for development of

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the packaging and labeling as specified in PKG-91NJ1045 and KS-23490. In no event shall Company's labeling or other Identification marks be applied to the interior of the MATERIAL, nor shall Supplier's marks be removed from the interior of the MATERIAL. Pursuant to Company's written approval of the design, all MATERIAL will be affixed with Supplier's logo.

46. PRODUCT CHANGES

Supplier shall provide Company with at least thirty (30) days, prior written notice of any change proposed to be made in accordance with this Agreement, or in the Specification and documentation covered by this Agreement that would impact upon: (i) reliability, or (ii) functional equivalency (as defined below).

The only exception will be in those cases where an extremely hazardous or unsatisfactory condition requires immediate action.. In such cases, verbal notification shall be made, followed by Supplier's prompt written confirmation. Procedures for reporting MATERIAL changes are described in "Product Change Notice Procedure", APPENDIX F.

Supplier shall submit changes to the following address:

Lucent Technologies Inc.
188 Mt. Airy Road
Room: C261
Basking Ridge, NJ 07920

Attn.: [*]

If the plan for MATERIAL Change is not accepted by Company, in addition to all other rights and remedies at law or equity or otherwise, and without any cost to or liability or obligation of Company, Company shall have the right to terminate this Agreement and to terminate any or all orders for MATERIAL affected by such change. Notwithstanding the above, Supplier shall continue to provide functionally equivalent MATERIAL for a period of twelve (12) months from the date the change is effective.

47. PRODUCT CONFORMANCE REVIEWS

Sections (1) or (2) applies if either is indicated in this Agreement or an order issued pursuant to this Agreement. Section 30 applies to both section (1) and (2). (1) All MATERIAL is subject to a Product Conformance Review ("Review") prior to shipment. (1) Supplier shall notify Company's designated quality inspection organization, at (609) 639-3149, when MATERIAL is ready for such Review. (2) Supplier may ship MATERIAL without a review but Company may perform such review prior to shipment by giving Supplier notice to that effect, in which event Supplier shall notify Company's designated quality inspection organization when MATERIAL is ready for such review. (3) Supplier will provide, without charge, appropriate production testing facilities and

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personnel at a site of Supplier's selection required to perform or assist in the Review as specified in the applicable Quality Program Specification or other quality specification provided under this Agreement or order. Company's Reviews as set forth herein may only be waived by written notification from Company's designated quality inspection organization.

Quality Program Specification (QPS) No. 40.030, which may be changed from time to time with Supplier's written approval, is attached and made a part of this Agreement as APPENDIX G.

48. PRODUCT DOCUMENTATION

Supplier shall furnish, at no charge, product documentation, and any succeeding changes thereto, as described in the Specifications. Company may use, reproduce, reformat, modify and distribute such product documentation.

Company shall reproduce Supplier's copyright notice contained in any documentation reproduced without change by Company. For documentation which is reformatted or modified by Company, Company shall have the right to place only Company's own copyright notice on the reformatted or modified documentation; provided that Supplier's copyright notice shall be placed on any documentation or derivative work of Company.

49. PURCHASE ORDERS

Purchase orders issued under this Agreement shall be sent to the following address:

Packeteer Inc.
10495 N. De Ariza Blvd.
Cupertino, CA 95014

Attn.: Sales Department

Purchase orders shall specify: (i) description of MATERIAL, inclusive of any numerical/alphabetical identification referenced in the price list in this Agreement, (ii) delivery date, (iii) applicable price, (iv) location to which the MATERIAL is to be shipped and (v) location to which invoices shall be sent for payment.

50. POINT OF SALE INFORMATION

Company shall provide Supplier, on a quarterly basis, data on the location of Company's customers who purchase Supplier's MATERIAL provided pursuant to this Agreement. Such information shall be supplied in machine readable "softcopy" form in Excel format electronic mail to [*] in no more than 45 days after the end of each calendar quarter. Format and method of transmission may be changed from time to time pursuant to agreement by both parties. Email address shall change upon notice by

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Supplier to Company. Information supplied shall include, without limitation: MATERIAL product number, quantity sold, zip code of US shipment or country (if international shipment).

51. REGISTRATION AND RADIATION STANDARDS

When MATERIAL furnished under this Agreement is subject to Part 68, Part 15 or any other part of the Federal Communication Commission's Rules and Regulations, as may be amended from time to time (hereinafter "FCC Rules"), Supplier warrants that such MATERIAL complies with the registration, certification, type-acceptance and/or verification standards of the FCC Rules including, but not limited to, all labeling, customer instruction requirements, and the suppression of radiation to specified levels. Supplier shall also establish periodic on-going compliance retesting and follow a Quality Control program, submitted by Company, to assure that MATERIAL shipped complies with the applicable FCC Rules. Supplier shall indemnify and save Company harmless from any liability, fines, penalties, claims or demands (including the costs, expenses and reasonable attorney's fees on account thereof) that may be made because of

Supplier's noncompliance with the applicable FCC Rules. Supplier shall defend Company, at Company's request, against such liability, claim or demand provided Supplier is promptly notified of any such claim or demand and Company tenders full control of any such claim or demand to Supplier. Company shall promptly advise Supplier in writing of any such claim and shall reasonably cooperate, at Supplier's expense, with Supplier in the defense or settlement thereof.

In addition, during the WARRANTY period, should MATERIAL which is subject to Part 15 of the FCC Rules, during use generate harmful interference to radio communications, Supplier shall provide the Company information relating to methods of suppressing such interference and pay the cost of suppressing such interference or, at the option of Company, accept the return of the MATERIAL and [*].

To the extent that MATERIAL furnished under this Agreement is also subject to FCC Rules governing the use of the MATERIAL as a component in a system as identified in Supplier's Specifications , Company shall be responsible for compliance with the applicable FCC Rules governing the system. Supplier shall fully cooperate with Company, by providing technical support and information, and, upon written request from Company, shall modify MATERIAL to enable Company to ensure ongoing compliance with the FCC Rules. Company shall pay any increase in Supplier's costs and/or expenses resulting from Company's request to modify MATERIAL to enable Company to comply with the FCC Rules.

Nothing in this section shall be deemed to diminish or otherwise limit Supplier's obligations under the "WARRANTY" section or any other section of this Agreement.

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52. REJECTIONS

If Company rejects any or all of the MATERIAL, Company may, in lieu of other rights and remedies at law or equity, exercise one or more of the following remedies: (1) return rejected MATERIAL for full credit at the price charged plus transportation charges from Supplier's plant, and return; or (2) accept a conforming part of any shipment; or (3) have rejected MATERIAL replaced by Supplier at the purchase price stipulated in this Agreement.

53. RELEASES VOID

Neither party shall require (i) waivers or releases of any personal rights or (ii) execution of documents which conflict with the terms of this Agreement, from employees, representatives or customers of the other in connection with visits to its premises and both parties agree that no such releases, waivers or documents shall be pleaded by them or third persons in any action or proceeding.

54. REPAIRS NOT COVERED UNDER WARRANTY

In addition to repairs provided for in the "WARRANTY" section Supplier shall provide repair service on all MATERIAL ordered under this Agreement during the term of this Agreement and until * * *

after the expiration of this Agreement. MATERIAL to be repaired under this section will be returned to a location designated by Supplier, and unless otherwise agreed upon by Supplier and Company, Supplier shall ship the repaired MATERIAL which meets the Specifications set forth in the "SPECIFICATIONS OR DRAWINGS" section and all other Specifications within ten (10) business days of receipt of the defective or non-conforming MATERIAL. With the concurrence and scheduling of Company, repair may be made by Supplier on site.

If MATERIAL is returned to Supplier for repair as provided for in this section and is determined to be beyond repair, Supplier shall so notify Company. If requested by Company, Supplier will sell to Company a replacement at the price set forth in Supplier's then current agreement with Company for said MATERIAL or, if no such agreement exists, at a price agreed upon by Supplier and Company. If the parties fail to agree on a price, the price shall be a reasonably competitive price for such MATERIAL at the time for delivery. Further, if requested by Company, Supplier shall take the necessary steps to dispose of the unrepairable MATERIAL and pay to Company the salvage value, if any. Replacement and repaired MATERIAL shall be warranted as set forth in the "WARRANTY" section.

This Agreement does not grant Supplier an exclusive privilege to repair any or all of the MATERIAL purchased under this Agreement for which Company may require repair; and Company may perform the repairs or contract with others for these services. In addition, Supplier authorizes Company and any qualified repairer with whom Company may contract to perform repairs on all MATERIAL purchased under this Agreement. Notwithstanding any provision of this Agreement to the contrary, any MATERIAL not repaired by Supplier shall not be covered by any warranty hereunder.

All transportation costs of and in transit risk of loss and damage to MATERIAL returned to Supplier for repair under this section will be borne by Company and all transportation costs of and in transit risk of loss and damage to such repaired or replacement MATERIAL returned to Company will be borne by Company.

Price schedules for repairs under this section are listed in APPENDIX A.

55. REPAIR PROCEDURES

Company shall furnish the following information with MATERIAL returned to Supplier for repair: (a) Company's name and complete address; (b) name(s) and telephone numbers(s) of Company's employee(s) to contact in case of questions about the MATERIAL to be repaired; (c) ship-to address for return of repaired MATERIAL if different than (a); (d) a complete list of MATERIAL returned; (e) the nature of the defect or failure if known; and (f) whether or not returned MATERIAL is in warranty. Supplier shall, within ten (10) days of the execution of this Agreement, provide a written notice to Company specifying (i) the name(s) and telephone number(s) of the individual(s) to be contacted concerning any questions that may arise concerning repair, and (ii) if required, any special packing of MATERIAL which might be necessary to provide adequate in-transit protection from transportation damage.

MATERIAL repaired by Supplier shall have the repair completion date stenciled or otherwise identified in a permanent manner at a readily visible location on the MATERIAL and the repaired MATERIAL shall be returned with a tag or other papers describing the repairs which have been made.

All invoices originated by Supplier for repair services must be clearly identified as such, and must contain: (i) a reference to Company's purchase order for these repair services, (ii) a detailed description of repairs made by Supplier and the need therefor, and (iii) an itemized listing of parts and labor charges, if any. Replaced parts will, upon request, be available for inspection by or returned to Company. Further, the provisions of the "INVOICING" and "SHIPPING" sections, other than provisions relating to transportation charges with respect to MATERIAL repaired under warranty, shall apply to Supplier's return to Company of repaired MATERIAL.

56. RIGHT OF ENTRY

Subject to prior written notice of ten (10) days and not more than twice per calendar year, each party shall have the right to enter the premises of the other party during standard business hours for the purpose of reasonable verification of each party's performance under this Agreement, including an inspection or a Quality Review, subject to all plant rules and regulations, clearances, security regulations and procedures as applicable. Each party shall provide safe and proper facilities for such purpose. No charge shall be made for such visits.

57. SAFETY CERTIFICATION

All MATERIAL purchased under this Agreement shall be designed to be in compliance with the applicable Underwriters Laboratories (UL) and Canadian Standards Association (CSA) rules and regulations. It is agreed that Supplier shall be responsible for filing the required documents to obtain compliance with said Underwriters Laboratories Standards and Canadian Standards. Supplier shall be responsible for making the MATERIAL available for testing.

58. SECTION HEADINGS

The headings of the sections in this Agreement are inserted for convenience only and are not intended to affect the meaning or interpretation of this Agreement.

59. SERVICES

Visits by Supplier's representatives or its suppliers' representatives for inspection, adjustment or other similar purposes in connection with MATERIAL purchased under this Agreement shall for all purposes be deemed "Work under this Agreement" and shall be at no charge to Company unless otherwise agreed in writing between the parties.

60. SEVERABILITY

If any of the provisions of this Agreement shall be invalid or unenforceable, such invalidity or unenforceability shall not invalidate or render unenforceable the entire Agreement, but rather the entire Agreement shall be construed as if not containing the particular invalid or unenforceable provision or provisions, and the rights and obligations of Supplier and Company shall be construed and enforced accordingly.

61. SHIPPING

Supplier shall: (i) ship the MATERIAL covered by this Agreement or order complete unless instructed otherwise, (ii) ship to the destination designated in the Agreement or order, (iii) ship according to routing instructions given by Company, (iv) place the Agreement and order number on all subordinate documents, (v) enclose a packing memorandum with each shipment and, when more than one package is shipped, identify the package containing the memorandum; and (vi) mark the order number on all packages and shipping papers. Adequate protective packing shall be furnished at no additional charge. Shipping and routing instructions may be furnished or altered by Company without a writing. If Supplier does not comply with the terms of the FOB section of the Agreement, Supplier authorizes Company to deduct from any invoice of Supplier (or to charge back to Supplier), any increased cost incurred by Company as a result of Supplier's noncompliance.

62. SHIPPING INTERVAL

The delivery schedule applicable to each purchase order will be agreed upon by Supplier and Company and set forth in the purchase order. (Note: Supplier has indicated that MATERIAL can usually be shipped an average of [*] after receipt of

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Company's purchase order; however, in no event shall the delivery interval [*] after acceptance of purchase order.)

If Supplier exceeds the above maximum interval then in lieu of all other rights and remedies at law or equity or otherwise, and without any liability or obligation of Company, Company shall have the right to: (a) cancel such purchase order, or (b) extend such delivery date to a later date, subject, however, to the right to cancel as in (a) preceding if delivery is not made or performance is not completed on or before such extended delivery date. If Company elects to extend such delivery date, Supplier shall absorb the difference between the charges to ship normal transportation and the charges to ship premium overnight.

If a purchase order is canceled by Company pursuant to the above, Company shall have the right to retain or return any or all MATERIAL received by or paid for by Company under such purchase order. Within [*] business days of Supplier's receipt of returned MATERIAL, Supplier shall reimburse Company for the costs of shipping the MATERIAL returned to Supplier and for any amounts, including shipping costs, previously paid by Company for the MATERIAL. Company shall pay for any MATERIAL if retains at the prices set forth in APPENDIX A, less applicable discounts which shall be applied on the basis of the quantity specified in the purchase order.

If, during the course of this Agreement, Supplier determines that Supplier will no longer be able to ship within the above interval, Supplier shall immediately notify Company's buyer to that effect. Supplier shall also notify Company's buyer, as soon as it becomes apparent, if Supplier is unable to meet the delivery date for an order. However, nothing contained in this paragraph shall waive Company's rights as set forth above in this section.

63. SHIPPING LOCATION

The material shall be shipped FOB ORIGIN.

Subject to the section "OPERATING SYSTEM SOFTWARE", Company has and shall have at all times all right, title and interest in all MATERIAL invoiced to Company in accordance with the section "INVOICING FOR STOCKS" provided Company is in accordance with TERMS OF PAYMENT. Such MATERIAL shall be referred to in this section as "Company Property." Supplier shall store such Company Property without cost to Company at Supplier's [ADDRESS] facility and ship such Company Property as ordered by Company for a period not to exceed one (1) month. After said one (1) month, Supplier may transfer Company Property to Company at Company's designated facility. In addition, Supplier shall:

(i) Be responsible for the safekeeping of the Company Property as a secondary insurer to Company, assume all risks of loss or damage to the same and be

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liable for the value paid for such Company Property. In case of removal of all or any part of the Company Property from one building to another, Supplier's responsibility for loss or damage shall continue and Supplier shall give Company at least ten (10) days advance notice in writing of the removal, except when the removal is required to comply with Company's shipping orders or to protect the Company Property from loss or damage.

(ii) Permanently mark or if impracticable to do so then affix labeling stating that the Company Property is the "PROPERTY OF LUCENT TECHNOLOGIES INC." For purposes of this section, the term "LUCENT TECHNOLOGIES INC." shall be deemed to mean Company or the Company affiliated or associated company which owns the tooling, as applicable.

(iii) Store the Company Property safely, indoors in protected areas approved by Company. Store the Company Property segregated from other property in sections of Supplier's plant marked Property of Company.

(iv) Deliver the Company Property only to Company or Company's designated customers in accordance with Company's orders or upon Company's demand, FOB Supplier's plant without additional charge for removal, packing, or crating.

(v) Supplier shall not allow any security interest, lien, tax lien or other encumbrance (collectively referred to as "encumbrance") to be placed on any Company Property. Supplier shall give Company immediate

written notice should any third party attempt to place or place an encumbrance on such Company Property. Supplier shall indemnify and hold Company harmless from any such encumbrance. Supplier shall, at Company's request, promptly execute a "protective notice" UCC-1 form and all other documents reasonably necessary to enable Company to protect its interest in such Company Property. This Agreement shall constitute the security agreement required by the UCC of the appropriate state.

(vi) Company may inspect, inventory, and authenticate the account of the Company Property during Supplier's normal business hours. Supplier shall provide Company access to the premises where all such Company Property is located.

The obligations assumed by Supplier with respect to the Company Property are for the protection of Company's property. If Supplier defaults in carrying out Supplier's obligations under this Agreement, then, at no cost to Company and upon twenty-four (24) hours notice to Supplier, Company may cancel this Agreement in whole or in part or withdraw all or any part of the Company Property, or both. Supplier shall, at Company's option, return to Company or hold for Company's disposition any or all of such Company Property in Supplier's possession.

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65. SUPPLIER'S INFORMATION

Supplier shall not provide under, or have provided in contemplation of, this Agreement any idea, data, program, technical, business or other intangible information, however conveyed, or any document, print, tape, disc, semiconductor memory or other information-conveying tangible article, unless Supplier has the right to do so, and Supplier shall not view any of the foregoing as confidential or proprietary. If Supplier must furnish any such information to Company with restrictions, it shall be furnished after negotiation and execution on behalf of Company of a separate written agreement specifically identifying the documents to be furnished and setting forth Company's rights and obligations with respect hereto.

66. SURVIVAL OF OBLIGATIONS

Section 16, 18, 26, 27, 28, 29, 34, 37, 41, 42, and 61 shall survive termination, cancellation or expiration of this Agreement.

67. TAXES

Company shall reimburse Supplier only for the following tax payments with respect to transactions under this Agreement unless Company advises Supplier that an exemption applies: state and local sales and use taxes, as applicable. Taxes payable by Company shall be billed as separate items on Supplier's invoices and shall not be included in Supplier's prices.

68. TECHNICAL SUPPORT

Company will be the primary interface to the customer and will provide Tier 1, Tier 2 and Tier 3 technical customer support.

Supplier will provide Tier 4 technical customer support. "Tier 4" means the fourth of four levels of technical customer support and addresses issues escalated from Tier 3 when either the source of the issue cannot be identified, or the issue is identified and must be addressed by the manufacturer of the MATERIAL. Tier 4 technical customer support will be provided 24 hours a day, 7 days a week via telephone or pager to Company's support personnel at no charge. Supplier's response time shall be within 30 minutes on Monday through Friday, 8:30 am - 5:30 pm (Pacific Time), and within 2 hours at all other times.. Nine (9) months after the effective date of this Agreement and every six months thereafter, Supplier may request a review of Company's Tier 4 support requests that Supplier believes do not fit into the category of support issues as defined in this Section. Company shall be given a reasonable cure period to correct any problem areas identified in the review before re-opening the Tier 4 compensation provision of this Section.

69. TERMINATION OF PURCHASE ORDER

Company may at any time terminate any portion or the total quantity of any purchase order(s) placed under this Agreement. Company's liability to Supplier with respect to such termination shall be limited to (i) Supplier's purchase price of all

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components for the MATERIAL (not usable in Supplier's other operations or salable to Supplier's other customers), plus (ii) the actual costs incurred by Supplier in procuring and manufacturing MATERIAL (not usable in Supplier's other operations or salable to Supplier's other customers) in process as of the date of giving notice of termination, less (iii) any salvage value thereof. However, no such termination charges will be invoiced if, within sixty (60) days of notice of termination, MATERIAL equivalent in kind to that being terminated is ordered by Company. If requested, Supplier shall substantiate such cost and price with proof satisfactory to Company.

70. TIMELY PERFORMANCE

If Supplier has knowledge that anything prevents or threatens to prevent the timely performance of the Work under this Agreement, Supplier shall immediately notify Company's Representative thereof and include all relevant information concerning the delay or potential delay.

71. TITLE AND RISK OF LOSS

Title (other than software) and risk of loss and damage to MATERIAL shall vest in Company when the MATERIAL has been delivered at the FOB point.

72. TOXIC SUBSTANCES AND PRODUCT HAZARDS

Supplier hereby warrants to Company that, except as expressly stated elsewhere in this Agreement, all MATERIAL furnished by Supplier as described in this Agreement is safe for its foreseeable use, is not defined as a hazardous or toxic substance or material under applicable federal, state or local law, ordinance, rule, regulation or order (hereinafter collectively referred to as "law" or "laws"), and presents no abnormal hazards to persons or the environment. Supplier also warrants that it has no knowledge of any federal, state or local law, that prohibits the disposal of the MATERIAL as normal refuse without special precautions except as expressly stated elsewhere in this Agreement. Supplier also warrants that where required by law, all MATERIAL furnished by Supplier is either on the EPA Chemical Inventory compiled under Section 8 (a) of the Toxic Substance Control Act, or is the subject of an EPA-approved pre manufacture notice under 40 CFR Part 720. Supplier further warrants that all MATERIAL furnished by Supplier complies with all use restrictions, labeling requirements and all other health and safety requirements imposed under federal, state, or local laws. Supplier further warrants that, where required by law, it shall provide to Company, prior to delivery of the MATERIAL, a Material Safety Data Sheet which complies with the requirements of the Occupational Safety and Health Act of 1970 and all rules and regulations promulgated thereunder.

Supplier shall defend, indemnify and hold Company harmless for any expenses (including, but not limited to, the cost of substitute material, less accumulated depreciation) that Company may incur by reason of the recall or prohibition against continued use or disposal of MATERIAL furnished by Supplier as described in its Agreement whether such recall or prohibition is directed by Supplier or occurs under

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compulsion of law. Company shall cooperate with Supplier to facilitate and minimize the expense of any recall or prohibition against use or disposal of MATERIAL directed by Supplier or under compulsion of law.

Supplier further shall defend, indemnify and hold Company harmless of and from any claims, demands, suits, judgments, liabilities, costs and expenses (including reasonable attorney's fees) which Company may incur under any applicable federal, state or local laws, and any and all amendments thereto, including but not limited to the Comprehensive Environmental Response, Compensation and Liability Act of 1980; the

Consumer Product Safety Act of 1972; the Toxic Substance Control Act; Fungicide, Rodenticide Act; the Occupational Safety and Health Act; and the Atomic Energy Act; and any and all amendments to all applicable federal, state, or local laws, by reason of Company's proper acquisition, use, distribution or disposal of MATERIAL furnished by Supplier under this Agreement.

73. TRAINING

If requested by Company, Supplier will:

(a) provide instructors and the necessary instructional material of Supplier's standard format to train Company's personnel in the installation, planning and practices, operation, maintenance and repair of MATERIAL furnished under this Agreement. These classes shall be conducted at reasonable intervals at locations agreed upon by Supplier and Company. The costs associated with the TRAINING are described in APPENDIX A.

Or, at the option of Company,

(b) provide to Company training modules or manuals and any necessary assistance, covering those areas of interest outlined in (a) of this section, sufficient in detail, format and quantity to allow Company to develop and conduct a training program.

74. USE OF INFORMATION

Supplier shall view as Company's property any idea, data, program, technical, business or other intangible information, however conveyed, and any document, print, tape, disc, tool, or other tangible information-conveying or performance-aiding article owned or controlled by Company, and provided to, or acquired by, Supplier under or in contemplation of this Agreement (Information). Supplier shall, at no charge to Company, and as Company directs, destroy or surrender to Company promptly at its request any such article or any copy of such Information. Supplier shall keep Information confidential and use it only in performing under this Agreement and obligate its employees, subcontractors and others working for it to do so, provided that the foregoing shall not apply to information previously known to Supplier free of obligation, or made public through no fault imputable to Supplier.

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75. VARIATION IN QUANTITY

Company assumes no liability for MATERIAL produced, processed or shipped in excess of the amount specified in this Agreement or in an order issued pursuant to this Agreement.

Supplier warrants to Company, as defined in this section, that MATERIAL furnished will be new, merchantable, free from defects in design, material and workmanship and will conform to and perform under normal use in all material respects with the Specifications, drawings and samples set forth in this Agreement. These warranties extend to the future performance of the MATERIAL and shall continue for a period of twelve (12) months from the date of delivery to an end user customer (hereinafter "Customer") but no longer than fifteen (15) from the date of shipment or, for MATERIAL installed by Company or its re-sellers, for a period of twelve (12) months from the completion of installation but no longer than fifteen (15) months from date of shipment.

Supplier also warrants to Company that services will be performed in a first class, workmanlike manner. In addition, if MATERIAL furnished contains one or more manufacturer's warranties, Supplier hereby assigns such warranties to Company provided such assignment is expressly permitted under such warranties. Supplier warrants that at the time of delivery to Company such MATERIAL shall be free of any security interest or any other lien or any other encumbrance whatsoever. All warranties shall survive inspection, acceptance and payment.

Defective or non-conforming MATERIAL will, at Company's option, either be returned to Supplier for repair or replacement, at no cost to Company, with risk of in-transit loss and damage borne by Supplier and freight paid by Supplier, or be repaired or replaced by Supplier on Customer's site or another site designated by Company at no cost to Company. Unless otherwise agreed upon by Supplier and Company, Supplier shall complete repairs and ship the repaired MATERIAL within [*] of receipt of defective or non-conforming MATERIAL, or at Company's option, ship replacement MATERIAL within [*] after verbal notification is given Supplier by Company. Supplier shall bear the risk of in-transit loss and damage and shall prepay and bear that cost of freight for shipments to Company of repaired or replaced MATERIAL. If requested by Company, Supplier shall begin on-site repairs within [*] after verbal notification is given Supplier by Company.

If MATERIAL returned to Supplier or made available to Supplier on site for repair as provided for in this section is determined to be beyond repair, Supplier shall promptly so notify Company and, unless otherwise agreed to in writing by Supplier and Company, Supplier shall ship replacement MATERIAL without charge [*] of such notification.

* Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

Replacement MATERIAL shall be warranted as set forth above in this "WARRANTY" section. Any MATERIAL which is repaired, modified, or otherwise serviced by Supplier shall be warranted as provided in this "WARRANTY" section for the remainder of the warranty period (based upon the date repair, modification or other service is completed and accepted by Company) or [*] after the MATERIAL is returned to a Customer, whichever is later.

Supplier considers MATERIAL year 2000 ready if the MATERIAL's performance and functionality are unaffected by the processing of dates prior to, during and through the year 2000 transition, provided that hardware, firmware, software, and databases used in combination with the MATERIAL properly exchange accurate and correctly formatted date data with the MATERIAL.

The MATERIAL defined in APPENDIX A are considered Year 2000 ready.

EXCEPT AS EXPRESSLY PROVIDED IN SECTION 76 AND 28, MATERIAL IS PROVIDED ON AN "AS IS" BASIS WITHOUT ANY WARRANTY, AND SUPPLIER EXPRESSLY DISCLAIMS ALL WARRANTIES, EXPRESS, IMPLIED, AND STATUTORY INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, NON-INFRINGEMENT OF THIRD PARTY RIGHTS AND FITNESS FOR A PARTICULAR PURPOSE.

77. ENTIRE AGREEMENT

This Agreement shall incorporate the typed or written provisions on Company's orders issued pursuant to this Agreement and shall constitute the entire agreement between the parties with respect to the subject matter of this Agreement and the order(s) and shall not be modified or rescinded, except by a writing signed by Supplier and Company. Printed provisions on the reverse side of Company's orders (except as specified otherwise in this Agreement) and all provisions on Supplier's forms shall be deemed deleted. Estimates or forecasts furnished by Company shall not constitute commitments. The provisions of this Agreement supersede all contemporaneous oral agreements and all prior oral and written communications, and understandings of the parties with respect to the subject matter of this Agreement.

Accepted (Date) June 25, 1999

PACKETEER, INC

LUCENT TECHNOLOGIES INC.

* Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

PACKETEER, INC.
OEM AGREEMENT

AGREEMENT NO. 62999

THIS OEM AGREEMENT (the "Agreement") is entered into as of this 29th day of June, 1999 (the "Effective Date"), by and between PACKETEER, INC., a Delaware corporation having its principal place of business at 10495 N. De Anza Blvd., Cupertino, CA 95014 (together with any Affiliates, "Packeteer"), and ADTRAN, INC., a Delaware corporation having its principal place of business at 901 Explorer Boulevard, Huntsville, Alabama 35806 (together with any Affiliates, "ADTRAN").

RECITALS

Packeteer is engaged in the design and manufacture of certain products, incorporating both hardware and software elements, which products are utilized in the allocation of bandwidth on wide area network access lines, and related products.

ADTRAN is engaged in the design and manufacture of certain products, incorporating both hardware and software elements, which products are utilized in networks.

ADTRAN desires to port Packeteer's software to ADTRAN's platform, and to incorporate additional ADTRAN software and hardware elements to create an enhanced Smart DSU product and to distribute such product.

Accordingly, the parties agree as follows:

1. DEFINITIONS

1.1 "AFFILIATE" means an entity controlling, controlled by, or under common control with a party, such control being exercised through ownership or control, directly or indirectly, of 50% or more of the voting power of the shares.

1.2 "ADTRAN PRODUCT" means ADTRAN's product that incorporates the Ported Software, and which provides all the functionality detailed in ATTACHMENT F ("Specifications for ADTRAN Product"), and no greater or lesser functionality than that detailed therein. In addition to the Ported Software, the ADTRAN Product includes the following components:

1.2.1 "ADTRAN SOFTWARE" means the software portion of the ADTRAN Product (other than the Ported Software) developed by ADTRAN. The ADTRAN Software has been partially developed as of the Effective Date. The ADTRAN Software will be integrated with Packeteer Software only through the Packeteer API (See Section 1.5.3).

1.2.2 "ADTRAN HARDWARE" means the hardware portion of the ADTRAN Product.

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1.3 PACKAGES. The Packeteer Software comprises a single OEM software component that includes the following packaging options:

1.3.1 "APPLICATION DISCOVERY SOFTWARE PACKAGE" means the Packeteer Software for analyzing network traffic flow and usage and for measuring information related to the network traffic flow, as described in the PacketShaper/ADTRAN OEM Deliverables document referenced in ATTACHMENT A ("Packeteer Software").

1.3.2 "RATE CONTROL SOFTWARE PACKAGE" means the Packeteer Software as enabled for analyzing network traffic flow and usage and for prioritizing packets and limiting/controlling partitions that specify minimum and maximum levels for aggregate traffic classes, as described in the PacketShaper/ADTRAN OEM Deliverables document referenced in ATTACHMENT A ("Packeteer Software")

1.4 "PACKETEER DOCUMENTATION" means the training manuals and end user manuals supplied to ADTRAN by Packeteer relating to the Packeteer Software.

1.5 "PACKETEER SOFTWARE" means that software listed as "Packeteer Software" in ATTACHMENT A ("Packeteer Software"), and any Updates thereto provided under this Agreement. The Packeteer Software includes the following components:

1.5.1 "PACKETEER SOFTWARE SOURCE" means the human-readable source code for the Packeteer Software. The Packeteer Software Source does not include any third party software or materials that Packeteer is unable to sublicense in source code form.

1.5.2 "PACKETEER SOFTWARE INFORMATION" means supporting information provided by Packeteer to enable a programmer reasonably skilled in the art to make use of the Packeteer Software Source.

1.5.3 "PACKETEER API" means an application programming interface developed by Packeteer to permit third party software (such as the ADTRAN Software) to call certain documented functions in the Packeteer Software. The

Packeteer API is described in detail in ATTACHMENT B ("PacketShaper: OEM Software Porting Guide"), (the "PACKETSHAPER PORTING GUIDE document, REVISION 1.17, DATED 5/3/99.

1.6 "PORTED SOFTWARE" means the software, in object code form only, resulting from ADTRAN's porting and compilation of the Packeteer Software Source and the Packeteer API to the ADTRAN platform.

1.7 "SOURCE CODE SITES" means those geographic locations at which ADTRAN may access, store and use the Packeteer Software Source and that are specified in ATTACHMENT H ("Source Code Sites"). The Source Code Sites may be changed upon mutual written agreement of the parties.

1.8 "UPDATES" means those additions, modifications, error corrections, bug fixes, enhancements, updates, upgrades, future versions and any derivative works made by Packeteer (or by a third party on Packeteer's behalf) to the Packeteer Software (or any component thereof) and made generally commercially available by Packeteer. Updates is not meant to include other

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modules or plug-ins which have unique characteristics for specific markets and that are designed to be used in connection with the feature set (and no more than the feature set) of the Packeteer Software provided to ADTRAN in accordance with ATTACHMENT A ("Packeteer Software").

2. LICENSE GRANTS

2.1 LIMITED SOURCE CODE LICENSE. Subject to the terms and conditions of this Agreement, Packeteer hereby grants to ADTRAN a non-exclusive, non-transferable license to use the Packeteer Software Source at a Source Code Site for the sole purpose of porting and compiling the Packeteer Software Source and Packeteer API to ADTRAN's platform to create the Ported Software for inclusion in the ADTRAN Product.

2.2 DISTRIBUTION LICENSE. Subject to the terms and conditions of this Agreement, Packeteer hereby grants to ADTRAN a non-exclusive, non-transferable, royalty-bearing license to reproduce the Ported Software and sublicense and distribute (through multiple tiers of distribution) the Ported Software solely as integrated with the ADTRAN Product, by way of licenses to end user customers ("End User Licenses" and "End Users," respectively), and through hardware OEMs (re-labeled Adtran Product). Notwithstanding the foregoing, ADTRAN will be permitted to distribute Updates to existing End Users and OEMs on an unbundled basis.

2.3 EXCLUSIONS.

2.3.1 THIRD PARTY TOOLS. No license is granted hereunder to any third party development tools or other software required to replicate the Packeteer Software development environment ("Third Party Tools"). A complete list of the Third Party Tools is set forth in ATTACHMENT A ("Packeteer Software").

2.3.2 OTHER EXCLUDED COMPONENTS. The Packeteer Software may contain certain third party software that Packeteer has no right to redistribute in source code form ("Excluded Components"). A complete list of Excluded Components is set forth in ATTACHMENT A ("Packeteer Software").

2.3.3 NO ADDITIONAL RIGHTS. ADTRAN specifically acknowledges that, other than as expressly set forth above, no rights to the Packeteer Software are granted to ADTRAN hereunder and there are no implied licenses under this Agreement. Without limiting the generality of the foregoing, ADTRAN acknowledges that it has no right to modify the Packeteer Software Source or Packeteer API except for the limiting porting activities licensed under PARAGRAPH 2.1 ("Limited Source Code License"), and that any modification will be deemed a material breach of the Agreement. In addition to any remedies available to Packeteer for such breach, Packeteer will have no obligations to support the modified Packeteer Software or the resulting ADTRAN Product, and ADTRAN shall assign all right, title and interest in such unpermitted modifications to Packeteer. Except as expressly set forth above, ADTRAN will have no right to sublicense or transfer the rights granted herein to any third party.

2.4 DOCUMENTATION. Subject to the terms and conditions hereof, Packeteer grants to ADTRAN a royalty-free non-exclusive, non-transferable, sub-licensable license to localize, reproduce, distribute, reformat, modify and sublicense the Packeteer Documentation so as to apply to the ADTRAN Product. ADTRAN recognizes that its ownership of any derivative works

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of the Packeteer Documentation is subject to Packeteer's underlying ownership of the Packeteer Documentation. ADTRAN agrees that it will not modify or delete any copyright notices or other proprietary notices included in the Packeteer Documentation without written approval of Packeteer. Packeteer will have the right to inspect the modified Packeteer Documentation to ensure that it meets Packeteer's quality standards.

2.5 TRADEMARK LICENSE. Subject to compliance with the terms of this Agreement (including, but not limited to, PARAGRAPH 11 ("Trademarks")) and ATTACHMENT D ("Packeteer Trademarks"), Packeteer hereby grants to ADTRAN a non-exclusive, non-transferable, limited license to use the trademarks set forth in ATTACHMENT D ("Packeteer Trademarks") in connection with the marketing and distribution of the ADTRAN Products.

2.6 END USER LICENSE. ADTRAN will take all steps necessary to protect Packeteer's proprietary rights in the Packeteer Software and to ensure that each ADTRAN Product will be accompanied by a localized copy of ADTRAN's standard software license agreement applicable to such software which will include terms and conditions no less protective of Packeteer's interests as those set forth in ATTACHMENT C ("Packeteer End User License Agreement").

2.7 OWNERSHIP OF PORTED SOFTWARE. Packeteer will own all right, title and interest in all Ported Software created by ADTRAN. ADTRAN hereby assigns to Packeteer the entire right, title and interest in the Ported Software. ADTRAN will deliver all such Ported Software to Packeteer in source and object code form as such Ported Software is created, or upon Packeteer's request, but in no event less frequently than once per calendar quarter. ADTRAN agrees to render reasonable cooperation to Packeteer in the procurement and maintenance of Packeteer's rights in the Ported Software and to sign all papers which Packeteer may deem necessary and desirable for vesting Packeteer with such rights throughout the world, including litigation of applicable patents, copyrights and other proceedings, and execution of an assignment of copyright.

3. DELIVERY

3.1 INITIAL DELIVERY; ACCEPTANCE. Upon receipt of the Initial Delivery Fee, Packeteer will deliver the Packeteer Software to ADTRAN, including the Packeteer Software Source, the Packeteer Software Information, the Packeteer API, and the Packeteer Documentation, all in electronic form, and where suitable, also in paper form. The Packeteer Software will be deemed accepted upon delivery.

3.2 MAINTENANCE DELIVERIES. So long as ADTRAN is current on maintenance fees and Packeteer is still offering maintenance releases for the Packeteer Software, Packeteer will deliver applicable Updates to the Packeteer Software as such Updates are made generally available to Packeteer's customers. Such deliveries will be deemed accepted upon delivery.

3.3 INCORPORATING UPDATES. ADTRAN will have the option to incorporate such Updates into the ADTRAN Product, provided that if ADTRAN fails to successfully incorporate such Updates within one (1) year such Update is made generally available, (a) the trademark license set forth in PARAGRAPH 2.5 ("Trademark License") will terminate and ADTRAN will cease to use the Trademarks in connection with such ADTRAN Product, and (b) Packeteer will

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bear no obligation to continue to provide technical support (but will continue to provide Updates during the Maintenance Period) for such out-of-date ADTRAN Product.

4. SUPPORT AND MAINTENANCE

4.1 DEMONSTRATION. Packeteer will provide a "walk-through" demonstration (not to exceed one day) for the Packeteer Software, and periodically for each Update it delivers.

4.2 MODIFICATIONS TO PACKETEER SOFTWARE. In the course of developing the ADTRAN Product, ADTRAN may from time to time request that Packeteer make changes to the Packeteer Software in order to provide additional functionality. During the period in which ADTRAN is paying Packeteer for maintenance and is in compliance with its maintenance obligations (a "Maintenance Period"), Packeteer agrees to consider such requested changes promptly, and if it finds, in its sole discretion, such requested changes to be reasonable to the future development of the Packeteer Software, to implement such changes promptly as an Update, all without additional charge to ADTRAN.

4.3 END USER SUPPORT. ADTRAN will be solely responsible for providing all support and maintenance for End Users of the ADTRAN Product. ADTRAN will provide its End Users with reasonable documentation, warranty service, and e-mail or telephone support for the use of the ADTRAN Product consistent with good industry practice and the terms of this Agreement.

4.4 TECHNICAL SUPPORT. During the Maintenance Period, Packeteer will provide ADTRAN (but not ADTRAN's End Users, distributors or resellers) with development support (including access to technical, engineering and management staff) in the form of telephone and e-mail responses to questions that ADTRAN may have with respect to the current version of the Packeteer Software and any previous versions released by Packeteer within the past twelve (12) months. Packeteer will provide support solely for questions related to the unmodified Packeteer Software. In the event that such technical support requests become unduly burdensome, the parties shall confer to discuss whether the number of hours per month which Packeteer spends providing support should be reduced, or if the fee for such support should be increased. In this scenario support will not be withheld during such discussions.

4.5 COMPATIBILITY. Updates provided hereunder for functionality that has previously been implemented by ADTRAN will be "backwards compatible" (so that there will be no substantial loss of functionality) with the previously released version and any versions released in the preceding twelve (12) months.

5. PAYMENTS

5.1 INITIAL DELIVERY. On the Effective Date, ADTRAN will pay Packeteer a fee (the "Initial Delivery Fee") in SCHEDULE 1.

5.2 MAINTENANCE. For each calendar quarter for which ADTRAN desires to receive Updates and technical support, it will pay Packeteer a maintenance fee (the "Maintenance Fee") as set forth on SCHEDULE 1 ("Fees"). Any failure by ADTRAN to pay a Maintenance Fee shall terminate those obligations by Packeteer to provide Updates under PARAGRAPH 3.2 ("Maintenance Deliveries") and technical support under PARAGRAPHS 4.2 ("Modifications to

Packeteer Software") and 4.4 ("Technical Support") but shall not otherwise terminate the licenses granted in PARAGRAPHS 2.1 ("Limited Source Code License") and 2.2 ("Distribution License") or other obligations of the Parties to this Agreement. Any failure by ADTRAN to pay a Maintenance Fee shall not relieve ADTRAN from any of its obligations under this Agreement including, without limitation, the payment of the Royalties under PARAGRAPH 5.3 ("Royalties"). Upon a failure by ADTRAN to successfully incorporate any Update as contemplated in PARAGRAPH 3.3 ("Incorporating Updates") within one (1) year after it is made generally available by Packeteer, (a) ADTRAN will cease to use the Trademarks (as described in PARAGRAPH 3.3 ("Incorporating Updates")), and (b) Packeteer shall have the option not to accept any further Maintenance Fees from ADTRAN and to terminate its obligations to provide Updates under PARAGRAPH 3.2 ("Maintenance Deliveries") after the current Maintenance Period.

5.3 ROYALTIES. The royalties and other fees payable will be as set forth on

SCHEDULE 1 ("Fees").

5.4 TAXES. ADTRAN agrees to pay, and to indemnify and hold Packeteer harmless from, any sales, use, excise, import or export, value added or similar tax, not based on Packeteer's net income, as well as the collection or withholding thereof, including penalties and interest, as well as any costs associated with the collection or withholding thereof, and all government permit or license fees and all customs, duty, tariff and similar fees levied upon the delivery of, the ADTRAN Product or related products, as well as any costs associated with the collection of any of the foregoing items in the event that it is deemed not to be a sale for resale under applicable state law by the relevant taxing authority. ADTRAN will be responsible for obtaining, at its expense, all required import licenses, permits or other governmental orders. If a resale certificate or other certificate, document or other evidence of exemption or payment or withholding of taxes by ADTRAN is required in order to exempt the distribution or licensing of the Packeteer Software, ADTRAN Product or other related product from any such liability or to enable Packeteer to claim any tax exemption, credit, or other benefit, ADTRAN will promptly furnish such certificate or document to Packeteer.

5.5 REPORTING. On a quarterly basis, ADTRAN will, within [*] following the end of such quarter, provide Packeteer a report including the following: (a) the number of units of the ADTRAN Product sold during that quarter; (b) geographic information related to the units of ADTRAN Product sold during that

quarter, including, at least, by the country of the sale, by the State and postal (zip) code of the sale; (c) the royalty payments due during that quarter.

5.6 AUDIT. Each party will keep and maintain, for a period of three (3) years, proper records and books of account relating to licenses of the ADTRAN Product to customers and End Users. Upon reasonable notice to the other party, a party may have a reputable independent auditor inspect, at the requesting party's expense, such records to verify the other party's payments hereunder no more than once every six (6) months; however, if the audit reveals a discrepancy of more than 5%, then the recordkeeper will pay for the cost of the audit and the auditing party will have the right to conduct another audit within the six (6) month period.

5.7 MANNER OF PAYMENT. All payments due hereunder are in U.S. Dollars. ADTRAN shall include royalty payments with each report.

5.8 OVERDUE PAYMENTS. Overdue payments will be subject to a finance charge of the lesser of one and one-half percent (1 1/2%) per month or the highest interest rate allowed by law, for each month or fraction thereof that such amounts are [*] past due.

6. DEVELOPMENT AND TESTING

6.1 ADTRAN DEVELOPMENT RESPONSIBILITIES. ADTRAN will be responsible for creating the Ported Software, the ADTRAN Product, and incorporating Updates in the ADTRAN Product in compliance with the terms of the Agreement. In addition, ADTRAN will be responsible for creating and delivering to Packeteer a list of errors found prior to Packeteer's certification or testing of the ADTRAN Product pursuant to ATTACHMENT G ("Test Certification Procedures").

* Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

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6.2 TESTING AND CERTIFICATION OF ADTRAN PRODUCTS. ADTRAN will test each version of the ADTRAN Product. Once yearly, Packeteer will certify ADTRAN's tests results or perform independent testing in accordance with the procedures in ATTACHMENT G ("Test Certification Procedures"). If the ADTRAN Product passes Packeteer's Test Certification Procedures, then ADTRAN shall be entitled to market and distribute the ADTRAN Product under the Trademarks under the terms of this Agreement. ADTRAN will provide Packeteer with reasonable access to the ADTRAN Software and Ported Software, including, but not limited to, exposing command line interfaces for the ADTRAN Software in order to permit Packeteer to perform regression testing and to confirm that no unpermitted modifications have been made to the Packeteer Software. Such regression testing will not be

designed to permit Packeteer to analyze the ADTRAN Software (its source or object code) to determine the manner and methods utilized in supporting its functionality without the prior written permission of ADTRAN.

6.3 LOANED EQUIPMENT. ADTRAN will loan Packeteer all necessary equipment for such certification testing. All equipment loaned by ADTRAN to Packeteer will remain the property of ADTRAN, will be fully insured by Packeteer, and will be returned to ADTRAN at its request after termination of Packeteer's testing activities hereunder. ADTRAN will pay all shipping and other costs (including, without limitation, custom fees and duties) resulting from delivery of such loaned equipment to Packeteer. Any loaned equipment will be returned to ADTRAN by Packeteer, shipping, insurance and any other applicable costs prepaid by ADTRAN. While in the possession of Packeteer, the loaned equipment will be maintained by ADTRAN in good working order.

7. MARKETING

7.1 PROMOTIONAL EFFORTS. ADTRAN will use its reasonable efforts to market and distribute the ADTRAN Product to End Users. ADTRAN may advertise the ADTRAN Product in advertising media of ADTRAN's choice. ADTRAN will use the Trademarks in accordance with the terms of this Agreement in conducting such marketing efforts.

7.2 PRESS RELEASE. The parties will create a mutually agreeable press release to announce the execution of this Agreement. Neither party will disclose any terms of the Agreement, except pursuant to a mutually agreeable press release or as otherwise required by law.

8. WARRANTY

8.1 PACKETEER WARRANTY. Packeteer warrants for a period of ninety (90) days from delivery (the "Warranty Period") that the unmodified Packeteer Software Source will compile in the development environment specified by Packeteer to yield the corresponding object code version of such source code (excluding any Excluded Components). Packeteer also warrants for the Warranty Period that the unmodified Packeteer Software Source when used in accordance with the Packeteer Documentation shall share substantially equivalent functionality (excluding functionality corresponding to the excluded components) with Packeteer's PacketShaper software delivered to ADTRAN for testing on or about February 10, 1999. If ADTRAN reports to Packeteer a failure of the Packeteer Software Source to conform to the foregoing warranties during the Warranty Period, and provides such detail as Packeteer may require to permit

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Packeteer to reproduce such failure, Packeteer, at its expense, shall use reasonable commercial efforts to modify or replace the Packeteer Software Source to correct such failure. ADTRAN acknowledges that the Packeteer Software Source

delivered by Packeteer to ADTRAN will require adaptation by ADTRAN or Packeteer for compatibility with ADTRAN platforms and configurations, which platforms and configurations will generally be different from the development environment and platform used by Packeteer. ADTRAN acknowledges that the Packeteer Software is of such complexity that it may have inherent defects, and agrees that Packeteer makes no other warranty, either express or implied, as to any matter whatsoever. The foregoing states Packeteer's sole and exclusive warranty to ADTRAN concerning the Packeteer Software Source and ADTRAN's sole and exclusive remedy for breach of warranty.

8.2 DISCLAIMER. EXCEPT AS SET FORTH IN PARAGRAPH 8.1 ("PACKETEER WARRANTY"), THE PACKETEER SOFTWARE IS PROVIDED TO ADTRAN "AS-IS" AND WITHOUT ANY WARRANTY OF ANY KIND, EXPRESS, IMPLIED, OR STATUTORY. PACKETEER EXPRESSLY DISCLAIMS ANY IMPLIED WARRANTIES OF NON-INFRINGEMENT, FITNESS FOR A PARTICULAR PURPOSE OR MERCHANTABILITY.

9. INDEMNITY

9.1 BY PACKETEER. Packeteer agrees to defend and otherwise hold ADTRAN harmless from any costs, damages and reasonable attorneys' fees resulting from any claim that the uses permitted hereunder of the Packeteer Software infringe any U.S. patents or U.S. copyrights, or misappropriate the trade secrets of any third party, provided that ADTRAN gives Packeteer prompt written notice of any such claim, tenders to Packeteer the defense or settlement of such a claim at Packeteer's expense, and cooperates with Packeteer, at Packeteer's expense, in defending or settling such claim. If Packeteer receives notice of an alleged infringement or if ADTRAN's use of the Packeteer Software is prevented by permanent injunction, Packeteer may, at its sole option and expense, procure for ADTRAN the right to continued use of the Packeteer Software, modify the Packeteer Software such that it is no longer infringing, or replace the Packeteer Software with software of similar functional capability (in either of the latter two options, the revised or replacement software must be backwards compatible as that term is defined in PARAGRAPH 4.5 ("Compatibility")), or terminate the license and return to ADTRAN the Initial Delivery Fee. PACKETEER'S OBLIGATIONS UNDER THIS SECTION WILL BE ADTRAN'S SOLE AND EXCLUSIVE REMEDY FOR ANY ALLEGED INFRINGEMENT OF MISAPPROPRIATION OF ANY PROPRIETARY RIGHT. PACKETEER WILL HAVE NO LIABILITY TO ADTRAN IF ANY ALLEGED INFRINGEMENT OR CLAIM THEREOF IS BASED UPON THE USE OF THE PACKETEER SOFTWARE IN CONNECTION OR IN COMBINATION WITH EQUIPMENT, DEVICES, OR SOFTWARE NOT DELIVERED BY PACKETEER (IF SUCH INFRINGEMENT OR CLAIM COULD HAVE BEEN AVOIDED BY THE USE OF THE UNMODIFIED PACKETEER SOFTWARE WITH OTHER EQUIPMENT, DEVICES OR SOFTWARE), OR THE USE OF THE PACKETEER SOFTWARE OTHER THAN AS PERMITTED UNDER THIS AGREEMENT OR IN A MANNER FOR WHICH IT WAS NOT INTENDED, OR USE OF OTHER THAN THE MOST CURRENT RELEASE OF THE PACKETEER SOFTWARE (IF SUCH CLAIM WOULD HAVE BEEN PREVENTED BY THE USE OF SUCH RELEASE).

9.1.1 UPDATES. IF PACKETEER GIVES ADTRAN NOTICE THAT A SPECIFIC UPDATE IS REQUIRED IN ORDER TO AVOID INFRINGING THE INTELLECTUAL PROPERTY RIGHTS OF A THIRD PARTY, AND IF WITHIN SIXTY (60) DAYS ADTRAN FAILS TO USE SUCH UPDATE AND TO DISTRIBUTE SUCH UPDATE TO ITS END USERS, THEN PACKETEER WILL HAVE NO LIABILITY TO ADTRAN UNDER PARAGRAPH 9.1 FOR INFRINGING SUCH INTELLECTUAL PROPERTY RIGHTS IF THERE WOULD HAVE BEEN NO INFRINGEMENT HAD ADTRAN ADOPTED SUCH UPDATE.

9.2 BY ADTRAN. ADTRAN agrees to defend and otherwise hold Packeteer harmless from any costs, damages and reasonable attorneys' fees resulting from any claim that the uses permitted hereunder of the ADTRAN Product infringe any U.S. patents or U.S. copyrights, or misappropriate the trade secrets of any third party, provided that Packeteer gives ADTRAN prompt written notice of any such claim, tenders to ADTRAN the defense or settlement of such a claim at ADTRAN's expense, and cooperates with ADTRAN, at ADTRAN's expense, in defending or settling such claim. ADTRAN'S OBLIGATIONS UNDER THIS SECTION WILL BE PACKETEER'S SOLE AND EXCLUSIVE REMEDY FOR ANY ALLEGED INFRINGEMENT OF ANY PROPRIETARY RIGHT.

10. PROTECTION OF PROPRIETARY RIGHTS

10.1 PACKETEER OWNERSHIP. Packeteer and its suppliers are the sole and exclusive owners of all rights, title and interest, including all Trademarks, copyrights, patents, trade names, trade secrets, and other intellectual property rights to the Packeteer Software, and in any modifications made to the Packeteer Software at ADTRAN's request or suggestion under PARAGRAPH 4.2 ("Modifications to Packeteer Software"). Except for the rights expressly enumerated herein, ADTRAN is not granted any rights to patents, copyrights, trade secrets, trade names, trademarks (whether or not registered), or any other rights, franchises or licenses with respect to the Packeteer Software. ADTRAN agrees to protect the Packeteer Software in accordance with PARAGRAPH 10 ("Protection of Proprietary Rights") and ATTACHMENT E ("Secure Procedures"). Failure to protect the proprietary rights of Packeteer and its suppliers in the Packeteer Software, as required by this Agreement, will be considered a material breach of this Agreement.

10.2 ADTRAN OWNERSHIP. Packeteer acknowledges ADTRAN's statement that ADTRAN and its suppliers are the sole and exclusive owners of all rights, title and interest, including all trademarks, copyrights, patents, trade names, trade secrets, mask works, and other intellectual property rights to the ADTRAN Product (excluding the Ported Software). Except for the rights expressly enumerated herein (e.g., the right to perform certain regression testing), Packeteer is not granted any rights to patents, copyrights, trade secrets, mask works, trade names, trademarks (whether or not registered), or any other rights, franchises or licenses with respect to the ADTRAN Product. Packeteer agrees to protect the ADTRAN Product in accordance with PARAGRAPH 12 ("Confidentiality").

10.3 COOPERATION. The parties agree to cooperate and execute documents reasonably requested to confirm such ownership or to obtain protection under any

10.4 PROPRIETARY NOTICES. ADTRAN agrees that as a condition of its rights hereunder, each copy of the Ported Software will contain the same proprietary notices which appear on or in such Packeteer Software provided by Packeteer to ADTRAN. More specifically, ADTRAN agrees that a valid Packeteer copyright notice will appear on the media or will be displayed on any screen visible to a user when the ADTRAN Product is first initialized in the following format or such other format as Packeteer specifies by written notice to ADTRAN: the name of the program, the word "Copyright" and the "(C)" symbol, the year 1996 (the date of first creation of the Packeteer Software), followed by a hyphen and the year of the most recent version of the Ported Software, and the name of the copyright owner and the words "All Rights Reserved." Presence of a copyright notice does not constitute an acknowledgment of publication. ADTRAN will ensure that the trademark notices are displayed in the ADTRAN Product as set forth in PARAGRAPH 11 ("Trademarks").

10.5 UNAUTHORIZED DISTRIBUTION OR COPYING. ADTRAN agrees that (except as expressly permitted by this Agreement): (a) distributing, copying, duplicating or otherwise reproducing all or any part of the Packeteer Software, (b) distributing or using copies of all or any portion of the Packeteer Software other than as embedded in a royalty-bearing ADTRAN Product, or (c) failing to ensure that each End User receives a license agreement as required by PARAGRAPH 2.6 ("End User License") will constitute a material breach of this Agreement.

10.6 GOVERNMENT AGREEMENTS. ADTRAN will take all reasonable steps in making proposals to and agreements with governments that involve the ADTRAN Product and related documentation to ensure that Packeteer's proprietary rights receive the maximum protection available from such governments for commercial computer software and related documentation developed at private expense.

10.7 CERTIFICATION. At Packeteer's request, ADTRAN will provide Packeteer with written certification by an officer of ADTRAN of ADTRAN's compliance with its obligations under this PARAGRAPH 10 ("Protection of Proprietary Rights") and ATTACHMENT E ("Secure Procedures").

10.8 PACKETEER TRADE SECRETS. Packeteer represents that the Packeteer Software and those techniques, algorithms, and processes contained in the Packeteer Software which have been developed, acquired or licensed by Packeteer, or any modification or extraction thereof, constitute trade secrets of Packeteer and/or its suppliers, and ADTRAN agrees they will be used by ADTRAN only in accordance with the terms of this Agreement. ADTRAN will take all measures reasonably required to protect the proprietary rights of Packeteer and its suppliers in the Packeteer Software Information.

10.9 ACCESS. In consideration of the licenses and access to proprietary

information and technology of Packeteer granted under this Agreement, ADTRAN hereby agrees: (a) not to use the Packeteer Software to develop, manufacture or distribute GOODS OUTSIDE OF THOSE DEFINED IN ATTACHMENT F (SPECIFICATIONS FOR ADTRAN PRODUCT); and (b) to obtain the Packeteer Software only from Packeteer. Subject to the terms of restrictions on use of proprietary information (including, but not limited to this PARAGRAPH 10 ("Protection of Proprietary Rights"), ATTACHMENT D ("Packeteer Trademarks"), and ATTACHMENT E ("Secure Procedures") provided under this Agreement, this Agreement does not preclude ADTRAN from

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independently developing similar technologies or products, where ADTRAN can demonstrate by competent proof that such independent development has been created without reference to the Packeteer Software Source, Packeteer Software Information, or Packeteer Documentation.

11. TRADEMARKS

11.1 PROPER USE. Unless ADTRAN or Packeteer opt to terminate the following requirement of trademark usage and the trademark license of PARAGRAPH 2.5 ("Trademark License") under the conditions set out below, ADTRAN will make use of the Packeteer Trademarks in accordance with the guidelines and requirements set forth in ATTACHMENT D ("Packeteer Trademarks") and the standard guidelines and usage requirements as promulgated by Packeteer from time to time regarding the Trademarks. If Packeteer promulgates any changes to the standard guidelines and usage requirements, then ADTRAN: (a) shall have six (6) months to continue operating under the old guidelines; (b) shall have six (6) months to continue operating under the old guidelines for existing inventory. Either Packeteer or ADTRAN shall have the right to terminate the trademark usage requirement of this PARAGRAPH 11.1 ("Proper Use") if ADTRAN does not pay an annual Maintenance Fee as set out in PARAGRAPH 5.2 ("Annual Maintenance") when such Maintenance Fee is due. Furthermore, Packeteer shall, under the same instance, additionally be able to prohibit ADTRAN from using any Packeteer Trademark.

11.2 RIGHT OF REVIEW. In order to assure the Packeteer Trademarks are associated only with products and services of Packeteer's high quality standards, Packeteer will have the right to inspect and review all such products and services. In the event that any use of the Packeteer Trademark does not comport with the quality standards set by Packeteer, Packeteer will advise ADTRAN, and ADTRAN will improve the quality within thirty (30) days so as to comport with Packeteer's standards or cease use of the Packeteer Trademarks immediately.

11.3 NO COMPETITIVE EXPLOITATION OF TRADEMARKS. With respect to any Competitive Products which ADTRAN develops or markets, ADTRAN agrees that ADTRAN

will not exploit its access to the Packeteer Software, its relationship with Packeteer, or the existence of the Ported Software to promote ATTACHMENT I "Competitive Products". Furthermore, so long as ADTRAN is marketing the ADTRAN Product under the Trademarks, ADTRAN agrees to use best efforts to distinguish the ADTRAN Product from any ATTACHMENT I "Competitive Product" when displaying or referring to the ADTRAN Product in advertisements, catalogs, brochures and at trade shows by (a) identifying the ADTRAN Product prominently and exclusively with the Trademarks in such proximity that the viewer is unlikely to associate the ADTRAN Product with the Competitive Product, and (b) not associating the Trademarks with any Competitive Product in advertising, press releases, and other promotional and marketing materials.

12. CONFIDENTIALITY

12.1 RESTRICTION ON USE. Except as expressly permitted by this Agreement, each party ("Recipient"), its employees, and its contractors will not use in any way for its own account or the account of any third party, nor disclose to any third party, any Confidential Information revealed to it by the other party ("Disclosing Party") without the Disclosing Party's prior written consent; provided, however, that if any Confidential Information of the other party is required to

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be disclosed pursuant to any statute, regulation, order, subpoena or document discovery request, then the Recipient shall provide written notice thereof to the Disclosing Party as soon as practicable in order to afford the Disclosing Party an opportunity to seek a protective order (it being agreed that if the Disclosing Party is unable to obtain or does not seek a protective order and the Recipient is legally compelled to disclose such information, disclosure of such information may be made without liability).

12.2 DEFINITION OF CONFIDENTIAL INFORMATION. For purposes of this Agreement, "Confidential Information" consists of (a) any information designated by the Disclosing Party in writing as confidential, (b) the Packeteer Software Source and the Packeteer Software Information, (c) the source code and technical documentation for the ADTRAN Product, and (d) the terms and conditions of this Agreement. Information in oral form will be considered Confidential Information only to the extent it is (x) identified as confidential prior to disclosure and (y) summarized in writing and transmitted to the Recipient, identified as proprietary, within thirty (30) days after the oral disclosure.

12.3 EXCLUSIONS FROM DEFINITION OF CONFIDENTIAL INFORMATION. Confidential Information will not include, and this PARAGRAPH 12 ("Confidentiality") will not apply to information that (a) was known to the Recipient prior to its receipt from the Disclosing Party; (b) is or becomes public knowledge without fault of Recipient; (c) is acquired by Recipient from a third party with the right to disclose same and without binder of secrecy; (d)

is independently developed by a party without using the other party's Confidential Information; or (e) has been approved for release by written authorization of the Disclosing Party.

12.4 STANDARD OF CARE. Each party will use the same standard of care that it applies to its own Confidential Information, but in no event less than reasonable care. Each party agrees to notify the other promptly in the event of any breach of confidentiality or security under conditions in which it would appear that any Confidential Information was prejudiced or exposed to loss, and will, upon request of the other, take all reasonable steps necessary to recover any compromised trade secrets disclosed to it or placed in its possession by virtue of this Agreement. Without limiting the generality of the foregoing, ADTRAN agrees to comply with the terms of ATTACHMENT E ("Secure Procedures") regarding the handling of the Packeteer Software.

13. LIMITATION OF LIABILITY

EXCEPT IN THE CASE OF WILLFULNESS OR GROSS NEGLIGENCE, NEITHER PACKETEER NOR ANY OF ITS OFFICERS, DIRECTORS, EMPLOYEES, AFFILIATES, OR AGENTS WILL BE LIABLE TO ADTRAN OR TO ANY THIRD PARTY FOR ANY LOSS OF USE, INTERRUPTION OF BUSINESS, OR FOR ANY INDIRECT, INCIDENTAL, SPECIAL, OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS OR REVENUES) OR SIMILAR DAMAGES, WHETHER BASED ON TORT (INCLUDING WITHOUT LIMITATION, NEGLIGENCE OR STRICT LIABILITY), CONTRACT, OR OTHER LEGAL OR EQUITABLE GROUNDS, EVEN IF PACKETEER HAS BEEN ADVISED OR HAD REASON TO KNOW OF THE POSSIBILITY OF SUCH DAMAGES AND EVEN IN THE EVENT OF FAILURE OF EXCLUSIVE REMEDIES. In no event will Packeteer's liability under this Agreement, including claims for contribution or indemnity,

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exceed the greater of US \$100,000 (One Hundred Thousand Dollars) and all fees paid pursuant to this Agreement in the twelve (12) months preceding the claim giving rise to such liability.

14. TERM AND TERMINATION

14.1 TERM. The initial term of this Agreement will be five (5) from the Effective Date; provided however, in the event Packeteer assigns this Agreement pursuant to PARAGRAPH 16.11 during such initial term, and Packeteer's assignee fails to perform all or substantially all of its obligations pursuant to such assignment and such failure remains uncured for a period of [*], ADTRAN may at its option renew this Agreement with Packeteer for a term of three (3) years by giving written notice to Packeteer. Such option shall be exercisable, if at all, only within [*] of such failure; thereafter, this Agreement shall not be renewable except by written agreement of the parties.

14.2 TERMINATION FOR MATERIAL BREACH. Either party may terminate this Agreement if the other party has breached any material term of this Agreement

and such breach remains uncured for forty five (45) days after written notice of such breach (which notice will, in reasonable detail, specify the nature of such breach).

14.3 BANKRUPTCY. A party may terminate this Agreement upon written notice to the other in the event the other (a) becomes insolvent or admits in writing its inability to pay its debts as they mature, or makes an assignment for the benefit of creditors; (b) files a petition under any foreign, state, or United States bankruptcy act, receivership statute, or the like, as they now exist, or as they may be amended; (c) any third party files against it such a petition, or an application for a receiver of either party is made by anyone and such petition or application is not resolved favorably within sixty (60) days; or (d) discontinues its business.

14.4 OBLIGATIONS ON CANCELLATION, TERMINATION OR EXPIRATION. Upon cancellation, termination, or expiration of this Agreement:

14.4.1 LICENSES TERMINATED. The licenses granted pursuant to PARAGRAPH 2 ("License Grants") will terminate immediately; provided, however, that ADTRAN will be permitted to sell (for a period of ninety (90) days from termination) any finished inventory of ADTRAN Product then in stock.

14.4.2 SAFEGUARDING OF PROPRIETARY RIGHTS. ADTRAN will continue to be responsible for safeguarding the proprietary rights of Packeteer and Packeteer's suppliers in accordance with this Agreement, including PARAGRAPHS 10 ("Protection of Proprietary Rights"), 11 ("Trademarks"), and ATTACHMENT E ("Secure Procedures") after such cancellation, termination, or expiration.

14.4.3 RETURN OR DESTRUCTION OF PACKETEER INFORMATION. Except for the limited exemption set forth in PARAGRAPH 14.4.1 ("Licenses Terminated") permitting ADTRAN to sell out existing inventory, ADTRAN will immediately discontinue use and distribution of the Packeteer Software, and return or destroy all copies of the Packeteer Software and any Packeteer deliverables in its possession (including copies placed in any storage device under ADTRAN's control); provided, however, that ADTRAN may keep a reasonable number of copies for

* Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

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supporting existing End Users. Upon Packeteer's request, ADTRAN will warrant in writing to Packeteer compliance with this PARAGRAPH 14.4.3.

14.4.4 PAYMENT. The payment date of all monies due Packeteer will automatically be accelerated so that they will become due and payable on the

effective date of termination, even if longer terms had been provided previously.

14.4.5 CONTINUED USE BY END USERS. End Users will be permitted the continued and uninterrupted use of the ADTRAN Products for the balance of the term of their End User agreements, as specified in such agreements, provided that and so long as the End Users are not in default of their End User agreements.

14.4.6 SURVIVAL. The following sections will survive the termination of expiration of this Agreement: PARAGRAPHS 1 ("Definitions"), 8 ("Warranty"), 9 ("Indemnity"), 10 ("Protection of Proprietary Rights"), 12 ("Confidentiality"), 13 ("Limitation of Liability"), 14 ("Term and Termination"), 15 ("No Patent License."), and 16 ("General").

15. NO PATENT LICENSE.

15.1 PACKETEER PATENTS. As used herein, "Packeteer Patent Right" means any right arising under any United States or foreign patent now owned by, or later issued or assigned to Packeteer, applicable to the Packeteer Software. Packeteer covenants that, to the extent that ADTRAN, ADTRAN's sublicensees as authorized in this Agreement, ADTRAN's End Users, and ADTRAN's other direct and indirect customers of Packeteer Software (collectively "Customers") exercise the rights expressly granted in PARAGRAPH 2 ("License Grants") to ADTRAN, or which ADTRAN is authorized to grant to Customers herein, Packeteer will not (a) assert any Packeteer Patent Right against ADTRAN, (b) assert any Packeteer Patent Right against Customers, or (c) require any additional fee or royalty from ADTRAN or Customers based upon any Packeteer Patent Right. Except to the extent of such covenant not to assert any Packeteer Patent Right, nothing contained herein will be construed as conferring, by implication, estoppel, or otherwise, any license or right with respect to any Packeteer Patent Right.

15.2 ADTRAN PATENTS. As used herein, "ADTRAN Patent Right" means any patent right arising under any United States or foreign patent issued or assigned to ADTRAN and having a filing date after the inventor had access to the Packeteer Software in which (a) an inventor is (a) an employee of ADTRAN who has had access to the Packeteer Software or (b) an independent contractor who has had access to the Packeteer Software and has assigned patent rights in the claimed invention to ADTRAN and (b) the Packeteer Software contributed to the claimed invention. ADTRAN Patent Right will not include any patent applications filed three (3) years after termination or expiration of this Agreement. ADTRAN covenants that it will not (a) assert any ADTRAN Patent Right against Packeteer or against its sublicensees or customers for products of a similar nature to that distributed by ADTRAN, or (b) require any fee or royalty from Packeteer or such sublicensees or customers for the sale of such products based upon ADTRAN Patent Rights. Except to the extent expressed above, nothing contained herein will be construed as conferring, by implication, estoppel, or otherwise any license or right with respect to any ADTRAN Patent Right.

16. GENERAL

16.1 GOVERNING LAW. This Agreement will be governed in all respects by the laws of the United States of America and the State of California as such laws are applied to agreements entered into and to be performed entirely within California between California residents. The parties agree that the United Nations Convention on Contracts for the International Sale of Goods is specifically excluded from application to this Agreement.

16.2 GOVERNING LANGUAGE. This governing language and any interpretation or construction of this Agreement will be English.

16.3 FORUM. All disputes arising under this Agreement may be brought in the state and federal courts located in San Jose, California, or Huntsville, Alabama as permitted by law. ADTRAN and Packeteer consent to the personal jurisdiction of the above courts.

16.4 NOTICES. All notices or reports permitted or required under this Agreement will be in writing and will be delivered by personal delivery, telegram, telex, telecopier, facsimile transmission, or by certified or registered mail, return receipt requested, and will be deemed given upon personal delivery, five (5) days after deposit in the mail, or upon acknowledgment of receipt of electronic transmission. Notices will be sent to the addresses set forth in the introductory paragraph of this Agreement and shall be sent to the attention of the Chief Financial Officer, or to such other address or person as may be designated in writing.

16.5 INJUNCTIVE RELIEF. It is understood and agreed that, notwithstanding any other provisions of this Agreement, breach of the provisions of this Agreement relating to the protection of intellectual property rights (including, but not limited to, PARAGRAPHS 2 ("License Grants"), 10 ("Protection of Proprietary Rights"), 11 ("Trademarks"), 12 ("Confidentiality"), ATTACHMENT D ("Packeteer Trademarks"), and ATTACHMENT E ("Secure Procedures") may cause the other party irreparable damage for which recovery of money damages would be inadequate, and that a party will therefore be entitled to obtain timely injunctive relief (whether by arbitral or judicial authority) to protect its rights under this Agreement in addition to any and all remedies available at law.

16.6 NO AGENCY. Nothing contained herein will be construed as creating any agency, partnership, or other form of joint enterprise between the parties.

16.7 FORCE MAJEURE. Neither party will be liable hereunder by reason of any failure or delay in the performance of its obligations hereunder (except for the payment of money) on account of strikes, shortages, riots, insurrection, fires, flood, storm, explosions, acts of God, war, governmental action, labor

conditions, earthquakes, material shortages or any other cause which is beyond the reasonable control of such party.

16.8 WAIVER. The failure of either party to require performance by the other party of any provision hereof will not affect the full right to require such performance at any time thereafter; nor will the waiver by either party of a breach of any provision hereof be taken or held to be a waiver of the provision itself.

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16.9 SEVERABILITY. In the event that any provision of this Agreement will be unenforceable or invalid under any applicable law or be so held by applicable court decision, such unenforceability or invalidity will not render this Agreement unenforceable or invalid as a whole, and, in such event, such provision will be changed and interpreted so as to best accomplish the objectives of such unenforceable or invalid provision within the limits of applicable law or applicable court decisions.

16.10 HEADINGS. The Paragraph headings appearing in this Agreement are inserted only as a matter of convenience and in no way define, limit, construe, or describe the scope or extent of such Paragraph or in any way affect this Agreement.

16.11 ASSIGNMENT. Neither this Agreement nor any rights or obligations of ADTRAN hereunder may be assigned or transferred by ADTRAN in whole or in part, whether by operation of law or otherwise, without the prior written approval of Packeteer which shall not unreasonably be withheld. For the purposes of this Paragraph, a change in ownership or sale of substantially all of the assets of ADTRAN or the business division of ADTRAN primarily involved in this Agreement shall not be considered an assignment or transfer of ADTRAN's rights. Packeteer may exercise full transfer and assignment rights in any manner at Packeteer's discretion and specifically may sell, pledge, or otherwise transfer it's right to receive royalties under this Agreement.

16.12 EXPORT. ADTRAN acknowledges that the laws and regulations of the United States restrict the export and re-export of commodities and technical data of United States origin, including the Packeteer Software licensed hereunder. ADTRAN agrees that it will not export or re-export the Packeteer Software or ADTRAN Product in any form, without the appropriate United States and foreign governmental licenses, if legally required. ADTRAN agrees that its obligations pursuant to this Paragraph will survive and continue after any termination or expiration of rights under this Agreement.

16.13 FULL POWER. Each party warrants that it has full power to enter into and perform this Agreement, and the person signing this Agreement on each party's behalf has been duly authorized and empowered to enter into this

Agreement. Each party further acknowledges that it has read this Agreement, understands it and agrees to be bound by it.

16.14 ENTIRE AGREEMENT. This Agreement together with the Attachments and appendices completely and exclusively states the agreement of the parties regarding its subject matter. It supersedes, and its terms govern, all prior proposals, agreements, or other communications between the parties, oral or written, regarding such subject matter. This Agreement will not be modified except by a subsequently dated written amendment signed on behalf of all parties by their duly authorized representative and any provision of a purchase order purporting to supplement or vary the provisions hereof will be void.

16.15 COUNTERPARTS. This Agreement may be executed simultaneously in two or more counterparts, each of which will be considered an original, but all of which together will constitute one and the same instrument.

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IN WITNESS WHEREOF, the parties hereto have caused this OEM Agreement to be executed by their duly authorized representatives as of the Effective Date.

PACKETEER, INC.

ADTRAN, INC.

/s/ CRAIG ELLIOTT

/s/ DANNY WINDHAM

By: Craig Elliott

By: Danny Windham

Its: President and CEO

Its: Vice President, Marketing CPE
Products

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ATTACHMENT A

PACKETEER SOFTWARE

PACKETEER SOFTWARE

The Packeteer Software components that Adtran has the right to use and distribute are defined with check marks in the following table, and by reference

to the PACKETSHAPER PORTING GUIDE v 1.17 which is fully incorporated into this agreement in Attachment B.

[*]

* Requires a disk drive

[*]

THIRD PARTY TOOLS

[List of development tools required to replicate the development environment, as well the vendor who offers such tools]

TOOL	VENDOR
SNMP	EMANATE
DNS	UNIVERSITY OF CALIFORNIA

EXCLUDED COMPONENTS

[List all third party software which Packeteer is not permitted to sublicense in source code form, as well as all third party software for which there might be any ambiguity as to their inclusion (e.g. Any RTOS software, objects, etc.).]

* Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

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ATTACHMENT B

PACKETSHAPER: OEM SOFTWARE PORTING GUIDE

THE DOCUMENT ENTITLED "PACKETSHAPER PORTING GUIDE," REVISION 1.17, DATED 5/3/99 IS FULLY INCORPORATED WITHIN THIS ATTACHMENT B AND IS DIRECTLY ATTACHED HERETO.

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ATTACHMENT C

PACKETEER END USER LICENSE AGREEMENT

THE FOLLOWING IS A SAMPLE FORM OF THE PACKETEER END USER AGREEMENT AS OF THE EFFECTIVE DATE:

"THIS AGREEMENT IS PROOF OF YOUR RIGHT TO USE THE SOFTWARE CONTAINED IN THE PACKETEER PACKETSHAPER PRODUCT AND CONTAINS ADDITIONAL INFORMATION CONCERNING PACKETEER'S PRODUCT WARRANTY AND LIMITATIONS OF LIABILITY.

PLEASE READ IT CAREFULLY.

THIS AGREEMENT IS BETWEEN YOU (EITHER AN INDIVIDUAL OR AN ENTITY) AND PACKETEER, INC. ("PACKETEER"). PACKETEER IS WILLING TO GRANT YOU THE FOLLOWING RIGHTS TO USE THE SOFTWARE INCORPORATED IN OR SUPPLIED WITH THE PACKETEER PACKETSHAPER PRODUCT AND ITS ACCOMPANYING DOCUMENTATION (COLLECTIVELY, THE "PACKETEER SOFTWARE") ONLY IF YOU AGREE TO BE BOUND BY ALL OF THE TERMS OF THIS AGREEMENT. BY INSTALLING THE PRODUCT (THE "EQUIPMENT") OR USING THE PACKETEER SOFTWARE, YOU AGREE TO BE BOUND BY ALL THE TERMS OF THIS AGREEMENT. IF YOU DO NOT AGREE TO BE BOUND BY ANY OF THE TERMS OF THIS AGREEMENT, PACKETEER IS UNWILLING TO GRANT YOU ANY RIGHTS TO USE THE PACKETEER SOFTWARE AND YOU MUST NOT USE THE PACKETEER SOFTWARE OR THE EQUIPMENT; INSTEAD YOU MUST PROMPTLY RETURN THE EQUIPMENT AND PACKETEER SOFTWARE FOR A FULL REFUND TO PACKETEER OR TO THE AUTHORIZED PACKETEER RESELLER THAT PROVIDED YOU WITH THE PRODUCT.

1. OWNERSHIP: The Packeteer Software is and shall remain a proprietary product of Packeteer. Packeteer and Packeteer's suppliers shall retain ownership of all patents, copyrights, trademarks, trade names, trade secrets and other proprietary rights relating to or residing in the Packeteer Software and Equipment. Except for the license grant provided in Paragraph 2, you shall have no right, title or interest in or to the Packeteer Software. The Packeteer Software is licensed, not sold, to you for use only under the terms of this Agreement.

2. GRANT OF LICENSE: Packeteer grants you a non-transferable (except as set forth in this Paragraph) non-exclusive, restricted right to use the Packeteer Software as incorporated in or supplied with the Equipment and solely in connection with the operation of the Equipment for your own internal business purposes. You understand that Packeteer may update the Packeteer Software at any time and in doing so incurs no obligation to furnish such updates to you pursuant to this Agreement. You may transfer the license to use the Packeteer Software only in connection with a sale or transfer of the Equipment and as included with the Equipment and not on a standalone basis, provided the buyer or transferee agrees to be bound by the terms and conditions of this Agreement.

3. RESTRICTIONS: Packeteer reserves all rights in the Packeteer Software not expressly granted to you. Except as permitted in Paragraph 2, you may not use, copy, modify, create derivative works of, distribute, sell, assign, pledge, sublicense, lease, loan, rent, timeshare, deliver or otherwise transfer the Packeteer Software, nor permit any other party to do any of the foregoing. You may not remove from the Packeteer Software, or alter, any of the trademarks, trade names, logos, patent or copyright notices or markings, or add any other notices or markings to the Packeteer Software. To the extent permissible by

applicable law, you may not derive or attempt to derive the source code of the Packeteer Software by any means, nor permit any other party to derive or attempt to derive such source code. To the extent permissible by applicable law, you may not reverse engineer, decompile, disassemble, or translate the Packeteer Software or any part thereof.

4. LIMITED WARRANTY: Packeteer does not warrant that the functions contained in the Packeteer Software and Equipment will meet your requirements or that the operation of your Packeteer Software or Equipment will be uninterrupted or error free. Packeteer warrants that for a period of ninety (90) days from your date of receipt of the Equipment and Packeteer Software, (a) the Equipment will be free of any defects in materials and workmanship and (b) the Packeteer Software will perform substantially in accordance with the accompanying documentation. This limited warranty is void if failure of the Equipment or Packeteer Software to conform with the warranty has resulted from improper installation, testing, misuse, neglect, accident, fire or other hazard, or any breach of this Agreement.

5. LIMITED REMEDIES: In the event of a breach of the foregoing limited warranty, you must return the Equipment and Packeteer Software to Packeteer or the Packeteer authorized reseller that provided you with the Packeteer Software, postage prepaid, before the expiration of the warranty period, with a copy of the invoice for the unit. Packeteer's sole and exclusive obligation and your sole and exclusive remedy shall be, at Packeteer's sole discretion, to either (a) repair the Packeteer Software or Equipment; (b) provide a replacement Equipment unit or a replacement copy of the Packeteer Software or (c) refund the amount you paid for the unit and terminate this Agreement. Any replacement copy of the Packeteer Software or replacement Equipment unit will be warranted for the remainder of the original warranty period or thirty (30) days, whichever is longer.

6. NO OTHER WARRANTIES: OTHER THAN THE FOREGOING LIMITED WARRANTY, PACKETEER HEREBY EXPRESSLY DISCLAIMS ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION THE IMPLIED WARRANTIES OF TITLE, NON-INFRINGEMENT, FITNESS FOR A PARTICULAR PURPOSE AND MERCHANTABILITY. SOME JURISDICTIONS DO NOT ALLOW THE DISCLAIMER OF IMPLIED WARRANTIES, SO THE ABOVE DISCLAIMER MAY NOT APPLY TO YOU, IN WHICH CASE THE DURATION OF ANY SUCH IMPLIED WARRANTIES IS LIMITED TO SIXTY (60) DAYS FROM THE DATE THE EQUIPMENT AND PACKETEER SOFTWARE ARE RECEIVED BY YOU. THIS WARRANTY GIVES YOU SPECIFIC LEGAL RIGHTS. YOU MAY HAVE OTHER LEGAL RIGHTS WHICH VARY FROM JURISDICTION TO JURISDICTION.

7. LIMITATION OF LIABILITY: PACKETEER'S AGGREGATE LIABILITY IN CONNECTION WITH THIS AGREEMENT, THE PACKETEER SOFTWARE AND THE EQUIPMENT, REGARDLESS OF THE FORM OF THE ACTION GIVING RISE TO SUCH LIABILITY (WHETHER IN CONTRACT, TORT OR OTHERWISE), SHALL NOT EXCEED THE AMOUNT PAID BY YOU TO

PACKETEER. PACKETEER SHALL NOT BE LIABLE TO YOU FOR ANY INDIRECT, EXEMPLARY, SPECIAL, CONSEQUENTIAL OR INCIDENTAL DAMAGES OF ANY KIND (INCLUDING WITHOUT LIMITATION LOSS OF DATA, EQUIPMENT DOWNTIME OR LOST PROFITS), EVEN IF PACKETEER HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. SOME JURISDICTIONS DO NOT ALLOW THE LIMITATION OR EXCLUSION OF LIABILITY FOR CONSEQUENTIAL OR INCIDENTAL DAMAGES SO THE ABOVE LIMITATION OR EXCLUSION MAY NOT APPLY TO YOU. THE LIMITED WARRANTY, LIMITED REMEDIES AND LIMITED LIABILITY PROVISIONS CONTAINED IN THIS AGREEMENT ARE FUNDAMENTAL PARTS OF THE BASIS OF PACKETEER'S BARGAIN HEREUNDER, AND PACKETEER WOULD NOT BE ABLE TO PROVIDE THE PACKETSHAPER TO YOU ABSENT SUCH LIMITATIONS.

9. GOVERNMENT END USERS: The Packeteer Software is comprised of "commercial computer software" and "commercial computer software documentation" as such terms are used in 48 C.F.R. 12.212 (SEPT 1995) and is provided to the Government (a) for acquisition by or on behalf of civilian agencies, consistent with the policy set forth in 48 C.F.R. 12.212; or (b) for acquisition by or on behalf of units of the Department of Defense, consistent with the policies set forth in 48 C.F.R. 227-7202-1 (JUN 1995) and 227.7202-3 (JUN 1995).

10. EXPORT CONTROL: Since the Packeteer Software is subject to the export control laws of the United States, you may not export or re-export the Packeteer Software without the appropriate United States and foreign government licenses. You shall otherwise comply with all applicable export control laws and shall defend, indemnify and hold Packeteer and all Packeteer suppliers harmless from any claims arising out of your violation of such export control laws.

11. GENERAL: The United Nations Convention on Contracts for the International Sale of Goods is specifically disclaimed. If any provision of this Agreement is held by a court of competent jurisdiction to be unenforceable for any reason, the remaining provisions hereof shall be unaffected and remain in full force and effect. This Agreement is the final, complete and exclusive agreement between the parties relating to the subject matter hereof, and supersedes all prior or contemporaneous understandings and agreements relating to such subject matter, whether oral or written. Should you have any questions regarding this Agreement, or if you desire to contact Packeteer for any reason, please write to: Packeteer, Inc., 10495 N. De Anza Blvd., Cupertino, California 95014, U.S.A."

PACKETEER TRADEMARKS

Packeteer may adopt certain trademarks, trade names, marks, and logos ("Trademarks") from time to time in its sole discretion. The following Packeteer Trademarks are licensed to ADTRAN pursuant to this Agreement:

[PACKETWISE TECHNOLOGY LOGO]

The above trademark is designated to be included on the back panel of the Adtran Box Level Product (Attachment F). Pending platform(s) design of the System Level Products (Attachment F), use of this trademark will be determined prior to shipping.

The Trademarks may be modified at any time by Packeteer.

USE OF PACKETEER TRADEMARKS

1. OWNERSHIP OF TRADEMARKS. ADTRAN acknowledges the ownership of the Packeteer Trademarks in Packeteer. ADTRAN agrees that it will do nothing inconsistent with such ownership and that all use of the Trademarks by ADTRAN will inure to the benefit of and be on behalf of Packeteer. ADTRAN acknowledges that Trademarks are valid under applicable law and that ADTRAN's utilization of the Trademarks will not create any right, title or interest in or to such Trademarks. ADTRAN acknowledges Packeteer's exclusive right to use of the Trademarks and agrees not to do anything contesting or impairing the trademark rights of the Packeteer. Any use of the Trademarks must identify Packeteer as the owner of such Trademarks.

2. QUALITY STANDARDS. Packeteer hereby appoints ADTRAN as its representative for the limited purpose of controlling the quality of the ADTRAN Products and any other products or services it supplies in connection with the use of the Trademarks. ADTRAN agrees that (a) the nature and quality of the ADTRAN Products and any other products or services it supplies in connection with use of the Trademarks will conform to the standards set by Packeteer, and (b) it will cooperate with Packeteer in facilitating Packeteer's monitoring and control of the nature and quality of such products and services. Such assistance will include supplying Packeteer, upon its request, with specimens of its use of the Trademarks, including supplying samples of reprinted documentation, translations, product packaging and promotional materials that use the Trademarks in conjunction with ADTRAN's marketing of ADTRAN Products. Upon reasonable notice to ADTRAN and at Packeteer's sole expense, Packeteer may conduct an inspection of such specimens at facilities of its choosing to determine conformance with the standards.

ADTRAN will, at Packeteer's request and expense, assist Packeteer in conducting such inspection and testing including, but not limited to, providing Packeteer with applicable hardware. If, at any time, Packeteer determines that ADTRAN has not met the Packeteer quality standards, Packeteer will so advise ADTRAN and, upon ADTRAN's receipt of such notice by any means, ADTRAN will have thirty (30) days to improve the quality to the standard previously approved by Packeteer, or to cease the use of all Trademarks. ADTRAN will comply with all applicable laws and regulations pertaining to the use of the Trademarks and to the distribution and advertising of the ADTRAN Products; however, Packeteer shall obtain all appropriate government approvals pertaining to the use of the Trademarks.

3. INFRINGEMENT PROCEEDINGS. ADTRAN agrees to notify Packeteer of any unauthorized use of the Trademarks by others promptly as it comes to ADTRAN's attention. Packeteer will have the sole right and discretion to bring infringement or unfair competition proceedings involving the Trademarks.

4. ADTRAN'S USE OF TRADEMARKS. Except as set forth otherwise in the Agreement, ADTRAN agrees that it will (a) prominently and permanently include the Packeteer Trademarks on all copies of the Packeteer Software and on any ADTRAN Products distributed to End Users (b) use the Packeteer Trademarks, including the PacketWise logo, in any advertising or printed materials concerning the ADTRAN Products, (c) use all applicable Trademarks on all copies, advertisements, brochures, manuals, packaging and other appropriate uses made in the promotion, sale or use of the ADTRAN Products, and (d) ensure that the logo set forth above will appear prominently on the logon screen, splash screen, or other first display created by the Packeteer Software when End Users initialize the Packeteer Software.

5. TRADEMARK REGISTRATIONS. ADTRAN, at Packeteer's request and expense, will (a) promptly provide Packeteer with any specimens, (b) execute all applications for trademark registrations, assignments or other applicable documents, and (c) perform any other act reasonably necessary for Packeteer to secure or maintain any and all trademark rights in any country in which ADTRAN is marketing the ADTRAN Products in association with a Trademark. ADTRAN's responsibilities will include complying with the formalities of local law, including, but not limited to, executing any application for registration as a registered user, executing additional license agreements suitable for recording with the appropriate authorities or providing proof of use of the trademarks in any other applicable documents.

6. NO UNITARY OR COMPOSITE TRADEMARKS. ADTRAN agrees not to use any other trademark or service mark in close proximity to any of the Packeteer Trademarks or combine the marks so as to effectively create a unitary composite mark without the prior written approval of Packeteer.

ATTACHMENT E

SECURE PROCEDURES

1. AUTHORIZED EMPLOYEES AND CONTRACTORS. ADTRAN agrees that it will only disclose all or any portion of the Packeteer Software to authorized employees ("Authorized Employees") and authorized contractors ("Authorized Contractors") (subject to ADTRAN's having obtained authorization for use of such contractors in accordance with PARAGRAPH 2 of this ATTACHMENT E, below) who (a) require access thereto for a purpose authorized by this Agreement, (b) have signed an employee or contractor agreement in which such employee or contractor agrees to protect third party confidential information and (c) in the case of disclosure of Packeteer Software Source or Packeteer Software Information ("Source Information"), have received a notice of confidentiality prior to access to such Source Information, and again upon any termination of such access, that contains, at a minimum provisions substantially in accordance with the following:

"Recipient has previously signed an agreement with ADTRAN pursuant to which Recipient has agreed to maintain the confidentiality of confidential information of ADTRAN and its suppliers (the "Confidential Information") and to use the Confidential Information solely for ADTRAN's benefit. The purpose of this notice is to apprise Recipient that Recipient will be receiving certain proprietary information of Packeteer, including internal source code, interface specifications and related documentation for the Packeteer product and related Packeteer information, all of which is of a confidential nature and which contains valuable trade secrets, know-how, and proprietary information of Packeteer (the "Packeteer Information") and which constitutes Confidential Information under Recipient's agreement with ADTRAN.

This is to inform Recipient that the Packeteer Information cannot be used for any purpose except for the specific purposes which ADTRAN or Packeteer authorize in writing and that Recipient is not authorized to disclose the Packeteer Information to any person at any time except to employees of Packeteer and to those Authorized Employees and Authorized Contractors which ADTRAN informs Recipient are authorized to receive such Packeteer Information.

All materials including, without limitation, programs, recorded information, documents, drawings, models, apparatus, sketches, designs, and lists furnished to Recipient by ADTRAN or Packeteer which are designated in writing to be the property of Packeteer remain the property of Packeteer and must be returned to Packeteer promptly at its request, together with any copies or modifications thereof."

ADTRAN guarantees the compliance of all such Authorized Employees and Authorized Contractors with their obligations under such confidentiality agreements.

2. APPROVAL OF CONTRACTORS. Notwithstanding the provisions in this ATTACHMENT E permitting Authorized Contractors to have access to Source Information,

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ADTRAN may not permit a contractor to come into contact with Source Information, or engage in the development of the Enhanced Software hereunder unless ADTRAN has first obtained a non-disclosure agreement which protects against the unauthorized use of Source Information, and assures that the contractor is not engaged in Competitive Product development.

3. PACKETEER SUPPORT INFORMATION.

3.1 ADTRAN will ensure that all Source Information received from Packeteer, and copies made thereof, will be properly marked or otherwise appropriately identified as Packeteer Information before being made available to Authorized Employees and Authorized Contractors hereunder. Packeteer will properly mark all material and Source Information as Packeteer Information.

3.2 ADTRAN will ensure that the same degree of care is used to prevent the unauthorized use, dissemination, or publication of the Source Information as ADTRAN uses to protect its own confidential information of a like nature, but in no event will the safeguards for protecting such Packeteer Support Information be less than a reasonably prudent business would exercise under similar circumstances. ADTRAN will take prompt and appropriate action to prevent unauthorized use or disclosure of Source Information.

3.3 ADTRAN will instruct Authorized Employees and Authorized Contractors not to copy Source Information on their own, and not to disclose Source Information to anyone not authorized to receive it.

3.4 Source Information will be handled, used, and stored solely at the Development Site. The Source Information will not be stored on any computer or network which is accessible from outside of the Development Site or by people other than Authorized Employees or Authorized Contractors.

3.5 ADTRAN will provide Packeteer with a list of all Authorized Employees and Authorized Contractors who have access to the Source Information and who have had access in the preceding five (5) years.

4. TRADE SECRETS. The Packeteer Software, including the techniques, algorithms, and processes contained in the Packeteer Software which have been developed, acquired, or licensed by Packeteer, or any modification or extraction thereof, constitute trade secrets of Packeteer and/or its suppliers, and will be used by ADTRAN only in accordance with the terms of this Agreement. ADTRAN will take all measures reasonably required to protect the proprietary rights of Packeteer and its suppliers in the Packeteer Software and will promptly notify

Packeteer of any lost or missing items and take all reasonable steps to recover such items. ADTRAN agrees that it will not attempt to reverse engineer any portion of the Packeteer Software which is provided to ADTRAN solely in object code form.

5. NO COMMINGLING OF TECHNOLOGY. If ADTRAN engages in development of products (other than the Ported Software) that are comparable to the Packeteer Software ("Comparable Products") during the term of this Agreement, it will ensure that there is no sharing with such Comparable Products development any of the following: (a) design documents or schematics supplied by Packeteer; (b) Source Information or other information based upon or

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derived from the Source Information; or (c) any facilities (including, but not limited to, computer systems and network storage devices), or (f) personnel with access to any of (a)-(c) above. ADTRAN will ensure that all Authorized Employees and Authorized Contractors who have had previous access to the Packeteer Software will be precluded for a period of twenty-four (24) months after their latest access to such Packeteer Software from being employed in any Comparable Product development (either internally or externally) by or for ADTRAN or any Competitive Product (as defined in PARAGRAPH 10.9 ("Access") of this AGREEMENT) or Comparable Product development for any third parties. "Employment in any Competitive (or Comparable) Product development" will be defined as having direct access to, or producing any specifications, documentation, or source code for, components of a Competitive (or Comparable) Product.

6. CERTIFICATION. At Packeteer's request ADTRAN will provide Packeteer with written certification by an officer of ADTRAN of ADTRAN's compliance with its obligations under PARAGRAPHS 1 and 5 of this ATTACHMENT E.

7. PROPRIETARY RIGHTS AUDIT. During the term of the Agreement and for a period of twenty-four (24) months thereafter, an independent auditor selected by Packeteer will have access to such portion of ADTRAN's records and premises to allow Packeteer to determine whether ADTRAN is substantially in compliance with this ATTACHMENT E and PARAGRAPH 10 ("Protection of Proprietary Rights") of the Agreement. In no event will audits be made hereunder more frequently than twice per year. Such access will be (a) during ADTRAN's regular business hours, (b) arranged so that, to the extent possible, ADTRAN's regular business activities are minimally disrupted and (c) under the terms of an appropriate confidentiality agreement executed by the individual(s) conducting such audit. If Packeteer determines, after conducting such audit, that ADTRAN is not substantially in compliance with its obligations to protect Packeteer's proprietary rights, ADTRAN will pay the costs of such audit. Otherwise, Packeteer will pay the costs of such audit. Such payment will not preclude Packeteer from exercising any right which it may have under the Agreement. ADTRAN will immediately correct any deficiencies discovered in the course of the audit.

ATTACHMENT F

SPECIFICATIONS FOR ADTRAN PRODUCT

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ATTACHMENT G

TEST CERTIFICATION PROCEDURES

INTRODUCTION.

This document describes proposed requirements for the software verification testing that Packeteer, Inc. will perform

The areas are

- Support materials
- Software requirements
- Hardware requirements
- Testing Methods
- Reporting results

SUPPORT MATERIALS

Adtran must provide documentation on the following areas:

- A set of manuals and a complete description of the feature set of the Device Under Test (DUT)
- A description of current revision level, how this version differs from any previous version, and estimated ship date of the next version.

- A complete set of test plans, test scripts, test tools and test results from Adtran's own internal testing effort. This must include a list of known bugs.

SOFTWARE REQUIREMENTS

- DUT must have implement the complete Packeteer Command Line Interface (CLI) for each Packeteer module implemented in the DUT.
- This CLI must be accessible through Telnet through any port (Inband or Outband) of the DUT.
- This CLI need not be accessible for normal customers, but in this event, Packeteer must be given some means of putting the DUT into this Packeteer test mode.

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HARDWARE REQUIREMENTS

- Adtran will provide at least two (2) end-to-end test rigs for the DUT.
- These test rigs must be capable of placing the DUT into an IP/Ethernet based test harness. Thus, for example, if the DUT were a frame-relay access device, each test rig would consist of at least two Ethernet frads (one of which would be the DUT), connected back to back across the frame-relay link by either a frame-relay router or a null-cable.
- If the DUT features require cross-traffic to test, then the rig must be capable of passing such traffic. This may require a central router with 3 or more interfaces.
- The test rig must also have Sun Sparc 20's (or equivalent) running Solaris 2.6, with Ethernet interfaces, to function as test traffic generators.

TESTING METHODS

Packeteer testing will consist of two parts

- Automated testing. In this phase, a series of automated tests will be

performed where the DUT is placed into various traffic modes, loaded with traffic, and the results compared with expected.

- Limited manual testing. In this phase, various features which are awkward to test in an automated fashion are executed manually.

REPORTING RESULTS

Packeteer will provide a complete test report upon completing the tests.

This report will include all automated and manual tests run, the expected results, the actual results, and whether the result constitutes a test pass or fail.

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ATTACHMENT H

SOURCE CODE SITES

ADTRAN facility.

ADDRESS

901 Explorer Boulevard,
Huntsville, Alabama 35806

SCHEDULE-1.

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ATTACHMENT I

COMPETITIVE PRODUCTS

PRODUCT WITH TRAFFIC SHAPING FUNCTIONALITY FROM THESE VENDORS:

ALLOT

AMPLIFY.NET

CHECKPOINT

NET REALITY

XEDIA

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SCHEDULE 1

FEEES

ADTRAN shall make the following payments to Packeteer:

[*] Initial Delivery Fee payable on the Effective Date.

Prepaid royalties shall be paid upon the following schedule:

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For a total of * * * of prepaid royalties. The prepaid royalties shall be fully creditable against royalties according to the following schedule:

From the Effective Date to December 31, 2000 at a rate of 100% against a unit's royalty due;

Beginning January 1, 2001 at a rate of 50% against a unit's royalty due. Cash will make up the remainder of the royalty due.

ROYALTY SCHEDULE:

Cumulative Royalties are an aggregate of all products defined in Attachment F:

- For box level products

Computed as a percentage of list price(s) of the base unit plus any add-on amount designated for PacketWise.

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For system level products:

Computed as a percentage of list price(s) of the component unit as described in Attachment F plus any add-on amount designated for PacketWise.

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MAINTENANCE FEE:

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* Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

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INDEPENDENT AUDITORS' CONSENT AND REPORT ON SCHEDULE

The Board of Directors
Packeteer, Inc.:

The audits referred to in our report dated March 3, 1999, except as to Note 9, which is as of May 19, 1999, included the related financial statement schedule for the period from January 25, 1996 to December 31, 1996 and for each of the years in the two-year period ended December 31, 1998, included in this registration statement on page II-5. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We consent to the use of our reports included herein and to the reference to our firm under the headings "Experts" and "Selected Consolidated Financial Data" in the prospectus.

/s/ KPMG LLP

Mountain View, California
July 26, 1999