



B #:	0822-14
Date:	April 23, 2014
To:	All Participants
Category:	Dividends
From:	International Services
Attention:	Operations, Reorg & Dividend Managers, Partners & Cashiers
Subject:	<u>Tax Relief</u> – Country: Israel AudioCodes Ltd. CUSIP: 050732AB2 <u>Record Date:</u> 04/24/2014 <u>Payable Date:</u> 05/09/2014 <u>EDS Cut-Off:</u> 05/06/2014 8:00 P.M.

Participants can use DTC's Elective Dividend System (EDS) function over the Participant Terminal System (PTS) or Tax Relief option on the Participant Browser System (PBS) web site to certify all or a portion of their position entitled to the applicable withholding tax rate. Participants are urged to consult the PTS or PBS function TAXI or TaxInfo respectively before certifying their elections over PTS or PBS.

Important: Prior to certifying tax withholding elections, participants are urged to read, understand and comply with the information in the Legal Conditions category found on TAXI or TaxInfo in PTS or PBS respectively.

Questions regarding this Important Notice may be directed to Liz Yerushalmi at +972-3-976-4000.

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Non-Confidential



TO: Registered Holders of AudioCodes Ltd. 2.00% Senior Convertible Notes due 2024 - CUSIP 050732 AB2

FROM: AudioCodes Ltd.

DATE: April 24, 2014

RE: Tax Withholding in Israel

AudioCodes Ltd. may be required to pay withholding tax in Israel on behalf of holders of its 2.00% Senior Convertible Notes due 2024 (the “Notes”). The next interest payment on the Notes is payable on May 9, 2014 to holders of record on April 24, 2014. Attached is a certification requiring each holder of the Notes to provide tax withholding information to AudioCodes.

Participants using DTC’s TaxRelief program via the Elective Dividend Service (the “EDS”), can elect to receive the interest payment on all or a portion of their record date position in the Notes at an exempt or other withholding tax rate to be specified during the EDS election window, which will open on or about Thursday, April 24, 2014 and close on Tuesday, May 6, 2014.

Following is a brief summary of the withholding rates that will apply:

Exempt Rate—0%

- Holders that are not Israeli residents, are exempt from tax on the interest income on the Notes in their country of domicile, and are either:
 - a non-Israeli pension fund;
 - a non-Israeli government/state fund; or
 - another party entitled to an exemption from tax on income in their country of domicile.

- Holders that are Israeli residents and are exempt from tax on interest income on the Notes or holders that hold the Notes on behalf of an Israeli resident that is exempt from tax on interest income on the Notes.

Such holders (i) may elect that no withholding be made (i.e., a 0% withholding rate) through the EDS system, and (ii) should complete a copy of the attached Withholding Certification form, along with documentation concerning the applicable tax exemption, and return it to AudioCodes at address indicated below.

10% Withholding Rate—Ireland Tax Treaty Rate

- Holders who are not Israeli residents, for whom Ireland is the country of domicile, who are not exempt from tax on interest income on the Notes in Ireland and are eligible for a 10% withholding rate under the tax treaty between Israel and Ireland. Such holders may elect withholding at a rate of 10% through the EDS system.

17.5% Withholding Rate—U.S. Treaty Rate

- Holders who are not Israeli residents, for whom the United States is the country of domicile, who are not exempt from tax on interest income on the Notes in the United States and are eligible for a 17.5% withholding rate under the tax treaty between Israel and the United States. Such holders may elect withholding at a rate of 17.5% through the EDS system.

20% Default Rate—Statutory Maximum Rate

Holders in any of the following categories will default to a 20% withholding rate, which is the statutory maximum rate:

- Holders who are not Israeli residents, are not exempt from tax on interest income on the Notes in their country of domicile, and for which no tax treaty exists between Israel and their country of domicile providing for a lower withholding rate.
- Holders who are Israeli residents or hold the Notes on behalf of an Israeli resident and are not exempt from tax on interest income on the Notes.
- Holders to whom the 0%, 10% and 17.5% withholding categories described above are inapplicable.
- Holders who fail to respond before the close of the EDS election window on Tuesday, May 6, 2014.

Where to Send Withholding Certification Forms and Supporting Documentation

If a holder is exempt from withholding (and elects a tax withholding rate of 0%), a copy of the completed and signed Withholding Certification form (*together with documentation concerning the applicable exemption*) must be sent by facsimile to Liz Cohen Yerushalmi, General Counsel of AudioCodes, at +972-3-976-4040, as soon as possible.

If a holder is entitled to a tax withholding rate other than the 0%, 10%, 17.5% and 20% rates described above, a copy of the completed and signed Withholding Certification form (*together with documentation concerning the applicable withholding rate*) must be sent by facsimile to Liz Cohen Yerushalmi, General Counsel of AudioCodes, at +972-3-976-4040, as soon as possible.

Any questions should be directed to Liz Cohen Yerushalmi at +972-3-976-4000.

Attachment

Tax withholdings with respect to the May 9, 2014 interest payment will be made in accordance with the responses of DTC Participants using DTC's TaxRelief Program via the Elective Dividend Service. Holders of Notes held through DTC Participants who fail to respond by the close of the election window on Tuesday, May 6, 2014 will be subject to tax withholding at a rate of 20%. Separate responses are required to the extent that different beneficial holders of the Notes fall into different withholding categories set forth below or are eligible for different withholding tax rates. Any holder of Notes who (a) elects for no tax withholding to be made (by completing paragraph 1 or 2 below and electing a 0% withholding rate), or (b) is eligible, under an applicable tax treaty or certificate from the Israeli Tax Authority, for withholding at a tax rate other than as set forth in paragraphs 3, 4, 5 or 6 below (to be described by completing paragraph 7 below), should complete a hardcopy of this form and submit it, along with documentation concerning the applicable exemption or tax withholding rate, to Liz Cohen Yerushalmi, General Counsel, AudioCodes Ltd., fax number +972-3-976-4040.

Withholding Certification for AudioCodes Ltd.

**RE: CUSIP 050732AB2
AudioCodes Ltd. 2.00% Senior Convertible Notes due 2024 ("Notes")**

I/We hereby certify that _____ (DTC Participant Name) are holders of \$_____ million principal amount of Notes as of April 24, 2014, the record date for the May 9, 2014 interest payment date, and that *(please check the applicable box and complete the applicable paragraph below)*:

1. We are not an Israeli resident and are either *(please check the applicable box below)*:
- a non-Israeli pension fund exempt from tax on interest income on the Notes in our country of domicile, _____ *(identify country)*;
 - a non-Israeli government/state fund exempt from tax on interest income on the Notes in our country of domicile, _____ *(identify country)*; or
 - another non-Israeli party exempt from tax on interest income on the Notes in our country of domicile, _____ *(identify country)*.

No tax withholding will be made. You must complete a hardcopy of this form and fax it, along with documentation of the exemption, to AudioCodes at the fax number indicated above.

2. We are an Israeli resident and are exempt from tax on interest income on the Notes or hold the Notes on behalf of an Israeli resident that is exempt from tax on interest income on the Notes. No withholding will be made. You must complete a hardcopy of this form and fax it, along with documentation of the exemption, to AudioCodes at the fax number indicated above.

3. We are not an Israeli resident, our country of domicile is Ireland, we are not exempt from tax on interest income on the Notes in Ireland, and are eligible for tax withholding on interest payments on the Notes at the rate of 10% under the tax treaty between Israel and Ireland. A 10% tax withholding will be made.

4. We are not an Israeli resident, our country of domicile is the United States, we are not exempt from tax on interest income on the Notes in the United States, and are eligible for tax withholding on interest payments on the Notes at the rate of 17.5% under the tax treaty between Israel and the United States. A 17.5% tax withholding will be made.

5. We are not an Israeli resident, are not exempt from tax on interest income on the Notes in our country of domicile, and no tax treaty exists between Israel and our country of domicile. A 20% tax withholding will be made.

6. We are an Israeli resident or hold the Notes on behalf of an Israeli resident and are not exempt from tax on interest income on the Notes. A 20% tax withholding will be made.

7. We are not an Israeli resident, our country of domicile is _____ (*identify country of domicile*), we are not exempt from tax on interest income on the Notes in the United States, and are eligible for tax withholding on interest payments on the Notes at the rate of ___% under the tax treaty between Israel and such country of domicile. You must complete a hardcopy of this form and fax it, along with documentation of the applicable withholding rate, to AudioCodes at the fax number indicated above.

Signature,
Authorized Person
(Medallion Guarantee Stamp is required)