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

FORM 20-F

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

OR

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

For the fiscal year ended December 31, 2015

OR

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

OR

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

Date of event requiring this shell company report…….

For the transition period from ____ to _____

Commission File No. 000-51694

Perion Network Ltd.
(Exact Name of Registrant as specified in its charter)

N/A
(Translation of Registrant's name into English)

Israel
(Jurisdiction of incorporation or organization)

26 HaRokmim Street
Holon, Israel 5885849
(Address of principal executive offices)

Yacov Kaufman, CFO
Tel: +972-73-3981582; Fax: +972-3-644-5502
26 HaRokmim Street
Holon, Israel 5885849
(Name, Telephone, E-mail and /or Facsimile Number and Address of Company Contact Person)

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

Title of Each Class	Name of Each Exchange on which Registered
Ordinary shares, par value ILS 0.01 per share	NASDAQ Global Select Market

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the Annual Report.

As of December 31, 2015, the Registrant had outstanding 75,811,487 ordinary shares, par value ILS 0.01 per share.

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

Yes £ No T

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

Yes £ No T

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

Yes T No £

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

Yes T No £

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

Large accelerated filer £	Accelerated filer T	Non-accelerated filer £

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

U.S. GAAP T	International Financial Reporting Standards as issued by the International Accounting Standards Board o	Other o

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

Item 17 £ Item 18 £

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

Yes £ No T

PRELIMINARY NOTES

Terms

As used herein, and unless the context suggest otherwise, the terms "Perion," "Company," "we," "us" or "ours" refer to Perion Network Ltd. and subsidiaries. References to "dollar" and "$" are to U.S. dollars, the lawful currency of the United States, and references to "ILS" are to New Israeli Shekels, the lawful currency of the State of Israel. This annual report contains translations of certain ILS amounts into U.S. dollars at specified rates solely for your convenience. These translations should not be construed as representations by us that the ILS amounts actually represent such U.S. dollar amounts or could, at this time, be converted into U.S. dollars at the rate indicated. Unless otherwise indicated, we have translated ILS amounts into U.S. dollars at an exchange rate of ILS 3.9020 to $1.00, the representative exchange rate reported by the Bank of Israel on December 31, 2015.

Forward-Looking Statements

This annual report on Form 20-F contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our, or our industry's, actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed, implied or inferred by these forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "could," "would," "expects," "plans," "intends," "anticipates," "believes," "estimates," "predicts," "projects," "potential" or "continue" or the negative of such terms and other comparable terminology.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we do not know whether we can achieve positive future results, levels of activity, performance, or goals. Actual events or results may differ materially from our current expectations. All forward-looking statements included in this report are based on information available to us on the date of this report. Except as required by applicable law, we undertake no obligation to update or revise any of the forward-looking statements after the date of this annual report to conform those statements to reflect the occurrence of unanticipated events, new information or otherwise.

You should read this annual report and the documents that we reference in this report completely and with the understanding that our actual future results, levels of activity, performance and achievements may be materially different from what we currently expect.

Factors that could cause actual results to differ from our expectations or projections include certain risks, including but not limited to the risks and uncertainties relating to our; business, intellectual property, industry and operations in Israel, as described in this annual report under Item 3.D. – "Key Information – Risk Factors." Assumptions relating to the foregoing, involve judgment with respect to, among other things, future economic, competitive and market conditions, and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. In light of the significant uncertainties, inherent in the forward-looking information included herein, the inclusion of such information should not be regarded as a representation by us or any other person that our objectives or plans will be achieved. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time and it is not possible for our management to predict all risks, nor can we assess the impact of all risks on our business or the extent to which any risk, or combination of risks, may cause actual results to differ from those contained in any forward-looking statements.

We obtained statistical data, market data and other industry data and forecasts used in preparing this annual report from market research, publicly available information and industry publications. Industry publications generally state that they obtain their information from sources that they believe to be reliable, but they do not guarantee the accuracy and completeness of the information. Similarly, while we believe that the statistical data, industry data and forecasts and market research are reliable, we have not independently verified the data, and we do not make any representation as to the accuracy of the information.

TABLE OF CONTENTS

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. SELECTED FINANCIAL DATA

On January 2, 2014, we purchased all of the outstanding shares of ClientConnect Ltd. ("ClientConnect"), which received the ClientConnect business of Conduit Ltd. ("Conduit") on December 31, 2013, in a stock-for-stock transaction (the "ClientConnect Acquisition"). Immediately following the closing, approximately 81% of our shares were owned by the former ClientConnect shareholders and option holders, and 19% by our pre-closing shareholders and option holders, on a fully diluted basis (as determined pursuant to the purchase agreement). Accordingly, since 2014, the ClientConnect Acquisition has been reflected in our financial statements as a reverse acquisition of all of our outstanding shares and options by ClientConnect in accordance with Accounting Standards Codification Topic 805, "Business Combinations" ("ASC 805"), using the acquisition method of accounting whereby ClientConnect is the deemed accounting acquirer and Perion is the deemed accounting acquiree. In accordance with the ASC 805 presentation requirements, our financial statements include ClientConnect's comparative numbers, but not Perion's comparative numbers, for the years preceding 2014.

We derived the selected operations data below for the years ended December 31, 2013, 2014 and 2015 and the selected balance sheet data as of December 31, 2014 and 2015 from our audited consolidated financial statements and the related notes to the financial statements included elsewhere herein (the "Financial Statements"). We derived the selected operations data below for the years ended December 31, 2011 and 2012 and the selected balance sheet data as of December 31, 2011, 2012 and 2013 from our audited consolidated financial statements not incorporated by reference in this report. Our consolidated financial statements are prepared and presented in U.S. dollars and in accordance with U.S. Generally Accepted Accounting Principles ("U.S. GAAP"). The following tables present selected financial data and should be read in conjunction with "Item 5 – Operating and Financial Review and Prospects" and our Financial Statements.

Statement of Operations Data: (in thousands, except share and per share data)	Year ended December 31				
	2011	2012	2013	2014	2015
Revenues:					
Search	$ 469,293	$ 517,060	$ 277,275	$ 330,757	$ 172,277
Advertising and other	12,431	19,948	48,233	57,974	48,673
Total Revenues	**481,724**	**537,008**	**325,508**	**388,731**	**220,950**
Costs and Expenses:					
Cost of revenues	4,167	5,513	6,104	27,817	16,195
Customer acquisition and media buy costs	113,358	119,555	185,355	174,575	91,217
Research and development	18,346	16,858	22,394	44,129	26,377
Selling and marketing	17,917	7,920	10,298	25,388	28,270
General and administrative	4,126	4,705	19,115	37,605	31,520
Restructuring charges	-	-	-	3,981	1,052
Impairment, net of change in fair value of contingent consideration	-	-	-	19,941	92,340
Total Costs and Expenses	**157,914**	**154,551**	**243,266**	**333,436**	**286,971**
Income (Loss) from Operations	**323,810**	**382,457**	**82,242**	**55,295**	**(66,021)**
Financial income (expense), net	(591)	7,696	2,782	(2,888)	(1,939)
Income (Loss) before Taxes on Income	**323,219**	**390,153**	**85,024**	**52,407**	**(67,960)**
Taxes on income	22,564	75,435	22,616	9,581	697
Net Income (Loss) from Continuing Operations	**300,655**	**314,718**	**62,408**	**42,826**	**(68,657)**
Net loss from discontinued operations	(14,248)	(23,798)	(33,795)	0	-
Net Income (Loss)	**$ 286,407**	**$ 290,920**	**$ 28,613**	**$ 42,826**	**$ (68,657)**
Net Earnings (Loss) per Share - Basic:					
Continuing operations	$ 6.12	$ 6.02	$ 1.16	$ 0.63	$ (0.96)
Discontinued operations	$ (0.29)	$ (0.45)	$ (0.63)	$ -	-
Net Income (Loss)	**$ 5.83**	**$ 5.57**	**$ 0.53**	**$ 0.63**	**$ (0.96)**
Net Earnings (Loss) per Share – Diluted:					
Continuing operations	$ 5.86	$ 5.91	$ 1.14	$ 0.58	$ (0.96)
Discontinued operations	$ (0.28)	$ (0.45)	$ (0.62)	$ -	-
Net Income (Loss)	**$ 5.58**	**$ 5.46**	**$ 0.52**	**$ 0.58**	**(0.96)**
Number of shares – Basic:					
Continuing operations	49,118,535	52,320,133	53,910,741	68,213,209	71,300,432
Discontinued operations	49,118,535	52,320,133	53,910,741	-	-
Number of shares – Diluted:					
Continuing operations	51,309,654	53,264,743	54,837,307	70,327,411	71,300,432
Discontinued operations	51,309,654	53,264,743	54,837,307	-	-

Balance Sheet Data (in thousands):	As of December 31,				
	2011	2012	2013	2014	2015
Cash and cash equivalents	$ 41,239	$ 78,395	$ 949	$ 101,183	$ 17,519
Working capital (*)	$ 249,718	$ 208,793	$ (19,682)	$ 91,255	$ 37,394
Total assets (*)	$ 334,734	$ 308,920	$ 31,058	$ 356,139	$ 442,297
Total liabilities (*)	$ 48,890	$ 64,899	$ 21,031	$ 110,142	$ 242,461
Shareholders' equity	$ 285,844	$ 244,021	$ 10,027	$ 245,997	$ 199,837

*In November 2015, the Financial Accounting Standards Board, or the FASB, issued Accounting Standards Update No. 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes (ASU 2015-17), which simplifies the presentation of deferred income taxes by requiring deferred tax assets and liabilities to be classified as noncurrent on the balance sheet. We have early adopted this standard retrospectively, and reclassified all of our current deferred tax assets to noncurrent deferred tax assets which has resulted in a change to previously published amounts.

B. CAPITALIZATION AND INDEBTEDNESS

Not applicable.

C. REASONS FOR OFFER AND USE OF PROCEEDS

Not applicable.

D. RISK FACTORS

We are subject to various risks and uncertainties relating to or arising out of the nature of our business and general business, economic, financial, legal and other factors or conditions that may affect us. We believe that the occurrence of any one or some combination of the following factors could have a material adverse effect on our business, financial condition, cash flows and results of operations.

Risks Related to our Industry

As a considerable portion of our revenues are derived from online advertising, any reduction in spending for online advertising by advertisers could adversely impact our business and results of operations.

Spending by advertisers tends to be cyclical, reflecting overall economic conditions and budgeting and buying patterns, as well as levels of consumer confidence and discretionary spending. Adverse economic conditions can have a material negative impact on the demand for advertising and cause advertisers to reduce the amounts they spend on advertising, particularly online advertising, which could negatively impact our revenues.

In the past, adverse economic conditions have caused, and if such conditions were to recur in the future they could cause, a decrease and/or delay in advertising expenditures, which would reduce our revenues and adversely affect our business and results of operations.

Advertisers typically do not have long-term advertising commitments. A decrease in overall advertising may adversely affect our results of operations.

In addition, the cost-per-click (CPC) and cost-per-thousand impressions (CPM) basis are negotiated between us, the publishers and advertisers and depend on a number of factors over which we have no control. If the publishers we partner with decrease the rates charged to advertisers, this would decrease the advertising revenues they share with us. Conversely, if we are paid by the advertiser or agency, in the event advertisers reduce the CPM rates they are willing to pay, there could be no assurance that we would be able to adjust the fees that we pay to publishers in order to maintain the current levels of profitability.

The online advertising market is very concentrated, with Google and Facebook in particular playing a substantial role in that market, limiting our flexibility to operate in this market.

In 2015, online advertising continued to grow globally and particularly in the United States. Advertising through search accounted for the largest portion of online advertising and in the United States accounted for approximately 45% (based on eMarketer) of all money spent on online advertising. Google as an advertising publisher accounted for most U.S. online search-generated revenues, and Microsoft and Yahoo accounted for substantially all of the rest of search generated revenues. In addition, a small number of social network companies, and Facebook in particular are seizing a growing portion of the advertising market. This high market concentration causes us to be subject to unilateral changes set by Google and some of the other large participants, with limited ability to respond to and adjust for those changes. Although we utilize other methods of advertising and partnering with other companies, these are currently not as lucrative as search advertising in general and affiliation with Google in particular. Continued unilateral changes could adversely affect our revenues and performance.

The digital advertising market is highly concentrated, and our inability to replace customers if necessary could have a material adverse impact on our business and results of operations.

While our largest advertiser and ad agency customers and the amounts of their advertising expenditures vary from year-to-year, the annual revenues of our Undertone business have historically been concentrated among a limited number of agencies and advertisers. Additionally, due to the dominance of Google and Facebook in the digital advertising market, our ability to engage new customers is limited. If, in any given year, the business from one or more of our customers decreases and we are unable to secure replacement customers to offset such decrease, it could have a material adverse impact our business and results of operations.

Additionally, the advertising industry has experienced substantial consolidation in recent years and we expect this consolidation to continue. This consolidation could adversely affect our business in a number of ways, including:

- our customers or vendors could acquire or be acquired by our competitors and terminate their relationship with us;
- our customers or vendors could merge with each other, which could reduce our ability to negotiate favorable terms; and
- competitors could improve their competitive position through strategic acquisitions.

Further, the growing trend of consolidation of Internet advertising networks, web portals, search engines and web publishers, and increasing industry presence of a small number of large companies, such as Google, Facebook, and Apple could harm our business. We are currently able to serve, track and manage advertisements for our customers on a variety of networks and websites. Concentration of advertising networks could substantially impair our ability to serve advertisements if these networks or websites decide not to permit us to serve, track or manage advertisements on their websites, if they develop ad placement systems that are incompatible with our ad serving systems or if they use their market power to force their customers to use certain vendors on their networks or websites.

Our business is significantly reliant on the North American market. Any material adverse change in that market could have a material adverse effect on our results of operations.

Our revenues have historically been concentrated within the North American market, accounting for approximately 78% of our revenues for 2015. With the recent acquisition of Undertone, we expect the concentration to be even higher. A significant reduction in the revenues generated by such market, whether as a result of a recession that causes a reduction in advertising expenditures generally or otherwise, which causes a decrease in our North American revenues could have a material adverse effect on our results of operations.

The browser extension is susceptible to obsolescence with the continued advent of alternative Internet-based innovations which may become more attractive to users.

The development of new products and services in response to the evolving trends and technologies of the Internet, as well as the identification of new business opportunities in this dynamic environment, requires significant time and resources. We may not be able to adapt quickly enough (and/or in a cost-effective manner) to these changes, appropriately time the introduction to the market of new applications and features for our platform or for other products and services or identify new business opportunities in a timely manner. Also, these changes could require us to modify related infrastructures and the failure to do so could render our, or those of our partners, existing websites, applications, services and proprietary technologies obsolete. The failure to respond to any of these changes appropriately (and/or in a cost effective manner) could adversely affect us, our financial condition and our results of operations.

In the case of certain of the applications available via our platform, third parties have introduced (and continue to introduce) new or updated technologies, applications and policies that may interfere with the ability of our publishers or end users to access or utilize these applications generally or otherwise make publishers or users less likely to use our services (such as through the introduction of features and/or processes that disproportionately and adversely impact the ability of publishers or end users to access and use these applications relative to those of competitors). For example, third parties continue to introduce technologies and applications (including new and enhanced web browsers and operating systems) that may limit or prevent certain types of applications from being installed and/or have features and policies that significantly lower the likelihood that end users will install the applications generated from the platform or that previously-installed applications will remain in active use. In addition, there are technologies and applications that interfere with the functionality of (or settings changes made by) toolbar and/or platform applications. For example, there are technologies and applications that interfere with search boxes embedded within our toolbars and the maintenance of home page and web browser search settings previously selected by end users of the toolbar or some of our other products. These technologies, applications and policies adversely impact the ability of users to generate search queries through our applications, which in turn adversely impacts revenues. Technologies have also been introduced that can block the display of advertisements on web pages and that provide users with the ability to opt out of our advertising products. Our failure to successfully modify our toolbars and related applications in a cost-effective manner in response to the introduction and adoption of these new technologies and applications could adversely affect our business, financial condition and our results of operations.

New advertisement blocking technologies could limit or block the delivery or display of advertisements by our solutions, which could undermine the viability of our business.

Advertisement blocking technologies, such as mobile apps that limit or block the delivery or display of advertisements, are currently available for Internet users and are continuing to be developed for desktop and mobile use. Further, new browsers and operating systems or updates to current browsers or operating systems offer users the ability to block ads. If these technologies become widespread, the commercial viability of the current Internet ad-supported model may be undermined, thereby adversely affecting our business, financial condition, and results of operations.

We rely heavily on the ability to offer our search properties to our publishers and, as a result of such action, to obtain and retain the search properties of their users. Should this method of distribution be blocked, constrained, limited, materially changed, based on a change of guidelines, technology, or otherwise (which has happened in the past), or made redundant by any of our search engine providers, particularly Microsoft, our ability to generate revenues from our users' search activity could be significantly reduced.

The search distribution agreements with Microsoft and other search partners require that we comply with certain guidelines promulgated by them for the use of their brands and services, including the manner in which their paid listings are displayed within search results, and that we establish guidelines to govern certain activities of third parties to whom we syndicate the search services, including the manner in which those parties drive search traffic to their websites and display paid listings. Subject to certain limitations, any one of our search partners may unilaterally update its policies and guidelines, which could, in turn, require modifications to, or prohibit and/or render obsolete certain of our products, services and/or practices, which could be costly to address or otherwise have an adverse effect on our business, our financial condition and results of operations. Noncompliance with our search partners' guidelines, particularly Microsoft’s, by us or by third parties to which we syndicate paid listings or by the publishers through whom we secure distribution arrangements for our products could, if not cured, result in such companies' suspension of some or all of their services to us, or to the websites of our third party publishers, the imposition of additional restrictions on our ability to syndicate paid listings or distribute our products or the termination of the search distribution agreement by our search partners.

These guidelines, with respect to method of distribution, homepage resets, and default search resets to search engine services, were changed by both Microsoft and Google numerous times in the past, having negative revenue implications. Since then, both companies have continued instituting other changes to the policies governing their relationship with search partners.

As a result, fewer and fewer substantial publishing partners are compliant with these requirements, increasing the concentration of revenues generated through each of our partners. In 2015, revenues generated through our largest partnership accounted for 25% of our revenues and the five most substantial partnerships accounted for 51% of our revenues. Should any of our large partnerships be deemed non-compliant, blocked or partner with another provider, it could be difficult to replace the revenues generated by that partnership and we would experience a material reduction in our revenues and, in turn, our business, financial condition and results of operations would be adversely affected.

Should the providers of the underlying platforms, particularly browsers, further block, constrain, limit, materially change their guidelines, technology, or the way they operate, our ability to generate revenues from our users' search activity could be significantly reduced.

As we provide our services through the Internet, we are reliant on our ability to work with the different Internet browsers. The Internet browser market is extremely concentrated with Google's Chrome, Microsoft's Internet Explorer and Mozilla's Firefox accounting for over 89% of the desktop browser market in January 2016, and Google's Chrome accounting for over 57% on its own, based on StatCounter reports. In June 2014, Google restricted the ability to install multi-purpose extensions onto its Chrome Internet browser. As most of our products and services offered such multi-purpose extensions at that time, this policy shift adversely affected our business. Since then, Google continued to further change and update its policies and technology in general, and specifically those relating to Chrome. Each such change further limits and constrains our ability to offer or change search properties. The operating system market is very concentrated as well, with Microsoft Windows dominating over 75% of the market as of January 2016, and Apple operating systems accounting for over 14% of that market, based on StatCounter reports. Recently, Microsoft announced changes to its browser modifier detection criteria and issued a new operating system (Windows 10), which includes a new default internet browser (Edge). Some of these changes may limit our ability to maintain our users' browser settings. If we are unable to effectively adapt to these changes, or if Microsoft, Google, Apple or other companies that provide Internet browsers, operating systems or other underlying platforms, effectively further restrict, discourage or otherwise hamper companies, like us, from offering or changing the search properties, this would continue to cause a material adverse effect on our revenue and our financial results.

Our software or provision of search services or advertising is occasionally blocked by software or utilities designed to protect users' computers, thereby causing our business to suffer.

Some of our products and offerings are viewed by some third parties, such as anti-virus software providers, as promoting or constituting "malware" or "spamming," or unjustly changing the user's computer settings. As a result, our software, provision of search services or advertising is occasionally blocked by software or utilities designed to detect such practices. If this phenomenon increases or if we are unable to detect and effectively deal with such categorization of our products, we may lose both existing and potential new users and our ability to generate revenues will be negatively impacted.

The digital advertising business is subject to fierce competition. If we cannot compete effectively in this market, our revenues are likely to decline.

There are a large number of digital media companies and advertising technology companies that offer services similar to ours and that compete for a finite advertiser and agency budget, as well as limited inventory from publishers. Given that the barriers to entering the Internet advertising market are relatively low, the number of competitors may increase even further. There are also a large number of niche companies that are competitive with us, as they provide a subset of the services that we provide (e.g., mobile in-app ad networks). Further, companies that do not currently compete with us in this space may change their services to be competitive if there is a revenue opportunity. If we are unable to compete with such companies, our revenue may decline.

Competition for mobile advertising budgets is intense, as is competition for broader advertising solutions such as data management platforms. Our mobile marketing business operates in a dynamic market that is subject to rapid development and introduction of product and service offerings, changing branding objectives and evolving customer demands, all of which affect the ability to remain competitive. We expect competition to increase as the barriers to enter this market are low and consolidation of ad networks and ad exchanges is increasing. The introduction of new revenue acquisition management solutions by our competitors, the market acceptance of solutions based on new or alternative technologies, or the emergence of new industry standards could render our platform obsolete. Our platform is a centralized computerized media buying across multiple traffic sources bringing order to our customer's mobile marketing efforts. Advertisers struggle with inefficient and disorganized practices of media buying, campaign measurement and optimization. Our platform was created to resolve these mobile advertising challenges. In addition, the growth of in-house marketing and user acquisition teams within companies otherwise dependent on our services would minimize the need for our services.

Competitors for our solutions include other companies that offer similar services and data management platforms that allow advertisers to purchase inventory directly from advertising exchanges or other third parties and manage and analyze their own consumer data and third party data. As our platform evolves and we introduce new technologies and functionality, we may face competition from new sources or technology that allow developers to generate revenue from their apps without our assistance. Changes in standards in the advertising world could also cause us to incur additional development costs and any failure to quickly adapt to such changes could adversely affect the profitability of our mobile marketing business.

Our Undertone business is susceptible to seasonality which could affect our business, results of operations and our ability to repay indebtedness when due.

Historically, our Undertone business experienced the lowest sales in the first quarter and the highest sales in the fourth quarter, with the second quarter being slightly stronger than the third quarter. Fourth quarter sales tend to be the highest due to increased customer advertising volumes for the holiday selling season. In addition, product and service revenues are influenced by political advertising, which generally occurs every two years. Further, in any single period, product and service revenues and delivery costs are subject to significant variation based on changes in the volume and mix of deliveries performed during such period. In addition, revenues are subject to the changes of brand marketing efforts, i.e., when and where brands choose to spend their money in a given year.

In addition, customers retain the right to supplement, extend, or cancel existing advertising orders at any time prior to their completion, and have no control over the timing or magnitude of these revenue changes. Relative complexity of individual advertising formats will also influence revenue timing, as the time between sale and initial revenue will be longer for more complicated formats. Revenue delays may also arise based on the number of creative design iterations and any delays in obtaining final creative approvals.

As a result, our profit from these operations is even more seasonal, with the fourth quarter accounting for as much as 40% of our profits and the first quarter possibly resulting in a loss.

Moreover, due to the long receivable cycle and shorter payable cycle, this seasonality puts strains on our cash flow through the first and second quarter of every year.

These factors could adversely impact our cash flow, our ability to meet our financial debt covenants and even the ability to repay indebtedness when due.

Currently more individuals are using mobile devices to access the Internet, while most of our search revenue generation and services are currently not usable on mobile platforms. Also, web-based software and similar solutions are impacting the attractiveness of downloadable software products.

The market related to personal computers ("PCs"), has accounted for substantially all our search revenues. As Internet usage continues to shift from PCs to mobile devices, we can expect downward pressure on revenues in general and in our search business in particular. Recently, the number of individuals who access the Internet through devices other than PCs, such as mobile phones, tablets, etc., has increased dramatically. While we have begun developing other models and solutions for mobile platforms and we have acquired Grow Mobile, Inc. ("Grow Mobile"), Make Me Reach SAS ("Make Me Reach") and Interactive Holding Corp. and its subsidiaries (collectively referred to as "Undertone"), most of our search and application services are not yet compatible with these alternative platforms and devices and substantially most of our search revenue to date has come from PCs. If this trend towards using the Internet on non-PC devices accelerates, some of our services will become less relevant and may fail to attract advertisers and web traffic. In addition, even if consumers do use our services, our revenue growth will still be adversely affected if we do not successfully implement revenue-generating models for our mobile applications.

Web (or "cloud") based software and similar solutions do not require the user to download software, and thus provides a very portable and accessible alternative for PCs, as compared to downloadable software. While there are advantages and disadvantages to each method and system and the markets for each of them remain large, the market for web-based systems is growing at the expense of downloadable software. Should this trend accelerate faster than our partners' ability to provide differentiating advantages in their downloadable solutions, this could result in fewer downloads of their products and lower search revenues generated through the download of these products. See "Item 4.B Business Overview — Competition" for additional discussion of our competitive market.

New laws and regulations applicable to e-commerce, Internet advertising, privacy and data collection and protection, and uncertainties regarding the application or interpretation of existing laws and regulations, could harm our business.

Our business is conducted through the Internet and therefore, among other things, we are subject to the laws and regulations that apply to e-commerce and online businesses around the world. These laws and regulations are becoming more prevalent in the United States, Europe, Israel and elsewhere and may impede the growth of the Internet and consequently our services. These regulations and laws may cover user privacy, data collection and protection, location of data storage and processing, content, use of "cookies," access changes, "net neutrality," pricing, advertising, distribution of "spam," intellectual property, distribution of products, protection of minors, consumer protection, taxation and online payment services.

Many areas of the law affecting the Internet remain largely unsettled, even in areas where there has been some legislative action. This uncertainty can be compounded when services hosted in one jurisdiction are directed at users in another jurisdiction. For instance, European data protection rules may apply to companies which are not established in the European Union. The anticipated General Data Protection Regulation (expected to go take effect in or by 2018) will likely have an even wider territorial scope and more stringent user consent requirements. Further, it will include stringent operational requirements for companies that process personal data and will contain significant penalties for non-compliance. Also in other relevant subject matters such as cyber security, e-commerce, copyright and cookies, new European initiatives have been announced by the European regulators. To further complicate matters in Europe, member States have some flexibility when implementing European Directives, which can lead to diverging national rules. Similarly, there have been laws and regulations adopted in Israel and throughout the United States that would impose new obligations in areas such as privacy, in particular protection of personally identifiable information, and liability for copyright infringement by third parties. Therefore, it is difficult to determine whether and how existing laws, such as those governing intellectual property, privacy, data collection and protection, libel, marketing, data security and taxation, apply to the Internet and our business.

Due to rapid changes in technology and the inconsistent interpretations of privacy and data protection laws, we may be required to materially change the way we do business. For example, we may be required to implement physical, administrative and technological security measures different from those we have now, such as different data access controls or encryption technology. In addition, we use cloud based computing, which is not without substantial risk, particularly at a time when businesses of almost every kind are finding themselves subject to an ever expanding range of state and federal data security and privacy laws, document retention requirements, and other standards of accountability. Compliance with such existing and proposed laws and regulations can be costly and can delay, or impede the development of new products, result in negative publicity, increase our operating costs, require significant management time and attention and subject us to inquiries or investigations, claims or other remedies, including fines or demands that we modify or cease existing business practices.

For more information regarding government regulations to which we are subject, see "Item 4.B Business Overview — Government Regulation" for additional discussion of applicable regulations affecting our business.

If one or more states or countries determine that we are required to collect sales, use, or other taxes on the services that we sell, this may result in liability to pay sales, use, and other taxes (plus interest and penalties) on prior sales and a decrease in our future sales revenue.

In general, the digital advertising business has not traditionally paid sales tax. However, a successful assertion by one or more cities, states or countries that digital advertising services should be subject to such taxes or that we are not providing digital advertising services, but other services and should collect sales, use, or other taxes on the sale of our services, or that we have failed to do so where required in the past, could result in a decrease in future sales and/or substantial tax liabilities for past sales. Each state and country has different rules and regulations governing sales, use, and other taxes, and these rules and regulations are subject to varying interpretations that may change over time.

Some states are also pursuing legislative expansion of the scope of goods and services that are subject to sales and similar taxes as well as the circumstances in which a vendor of goods and services must collect such taxes. Furthermore, legislative proposals have been introduced in Congress that would provide states with additional authority to impose such taxes. Accordingly, it is possible that either federal or state legislative changes may require us to collect additional sales and similar taxes from our clients in the future which could impact our future sales, and therefore result in a material adverse effect on our revenue.

Risks related to our Partners and Customers

Our search business depends heavily upon revenues generated from arrangements with search providers, particularly Microsoft, and any adverse change in those relationships could adversely affect our business or its financial condition and results of operations.

We are highly dependent on our search services agreement with Microsoft Online Inc. ("Microsoft"), which covers all of our search business with Microsoft and has a term from January 1, 2015 until December 31, 2017. In 2015, our search services agreement with Microsoft accounted for 81% of our revenues.

If our agreement with Microsoft, is terminated, substantially amended, or not renewed on favorable terms, we could experience a material decrease in our search-generated revenues or the profits it generates and we could be forced to seek alternative search providers. There are very few companies in the market that provide Internet search and advertising services similar to those provided by Microsoft, Google and Yahoo. These three companies are the dominant players in this market, and competitors do not offer as much coverage through sponsored links or searches. Although, we have agreements with both Google and Yahoo, we do not have a significant amount of revenue generated from either of them. If we fail to quickly locate, negotiate and finalize alternative arrangements, or if the alternatives do not provide for terms that are as favorable as those currently provided and utilized, or if the alternative arrangements will not attract the same traffic as the traffic attracted by Microsoft, or if the termination by Microsoft affects our ability to contract with other providers, we would experience a material reduction in our revenues and, in turn, our business, financial condition and results of operations would be adversely affected.

Our search revenue business is highly reliant upon a small number of publishers, who account for the substantial majority of pay-outs to publishers and generate most of our revenues. If we were to lose all or a significant portion of those publishers as customers, our revenues and results of operations would be materially adversely affected.

In 2015, the top ten publishers distributing our search properties accounted for approximately 62% of our revenues, of which the top five publishers represented approximately 51% of our revenue (each representing 25%, 13%, and the additional three: 4% of our revenues, each). There can be no assurance that these existing publishers will continue to distribute our search properties or continue utilizing the revenue-generating monetization services at the levels they did in the past or at all. The loss of all or a substantial portion of our relationships with these publishers, or a substantial reduction in their level of activity, could cause a material decline in our revenues and profitability.

The marketing of our search services partly relies on our ability to advertise and distribute our products together with the distribution of free software from other companies. Should Microsoft, Google or other search partners institute additional material changes in our ability to partner with distribution partners, it would be more difficult to acquire new customers and would adversely affect our revenues.

We rely on advertising for acquiring new customers in conjunction with other companies distributing other free software products. These distribution partnerships are regulated by our search partners, including Microsoft and Google. While abiding by search providers' policies and guidelines, we seek to optimize the installation process in order to increase users' selection of search services. In particular, we have adopted an "opt out" approach to the installation process in the United States and Canada, pursuant to which, when users install a product containing a search engine, the option to have the search engine serve as their primary search provider is presented as the default option. Users are required to unselect each feature of the product's search services if they do not wish to install the search functions of the product on their computers. This method of distribution has been very effective for us in the past and has significantly contributed to our growth. Should our search partners continue to implement changes to their guidelines, including the further restriction of the "opt out" feature, or restrict us from working with other distribution partners, our ability to market our products and search services would be limited, and our results of operations could be materially adversely affected.

If our campaigns are not able to reach certain performance goals or measure certain metrics, this could have a material adverse effect on our business.

Our advertiser and ad agency customers expect and often demand that our advertising campaigns achieve certain performance levels based on metrics such as user engagement, clicks, or conversions, to validate the value proposition. We may have difficulty achieving these performance levels for a variety of reasons. Additionally, customers may request measurement of campaign metrics that are difficult or impossible to measure. For example, it is often difficult to track viewability on our proprietary high-impact ad units, either directly or through a third-party vendor. Accordingly, we may not be able to reach customer requested performance levels or measure certain metrics, which could cause customers to cancel campaigns, not provide repeat business, or request make-goods or refunds.

Our platform for managing ad campaigns on behalf of application developers, enabling to effectively acquire users and subsequently maintain their engagement, depends on our ability to collect and use data to distribute and target ads and measure performance, and any limitation on the collection and use of this data could significantly diminish the value of our solutions and cause us to lose clients and revenue.

When we deliver an ad, we are often able to collect information about the content and placement of the ad and the interaction of the user with the ad, such as whether the user clicked on the ad or watched a video. We may also be able to collect information about the user's location. As we collect and aggregate this data provided by billions of ad impressions, we analyze the data in order to optimize the targeting, placement, and scheduling of ads across the advertising inventory provided to us.

Our clients might decide not to allow us to collect some or all of this data or might limit our use of this data. For example, advertisers of mobile applications may not agree to provide us with the data generated by interactions with the content on their apps, or device users may not consent to having information about their device usage provided to the advertiser or to us through the advertiser. Additionally, our ability to either collect or use location-based data could be restricted by a number of factors, including new laws or regulations, technology, operating system restrictions or consumer choice. Any limitation on our ability to collect data about user behavior and interaction with mobile device content could make it more difficult for us to deliver an effective advertising platform that meets the demands of our advertisers**.**

Although our contracts generally permit us to collect data from campaigns, parties might nonetheless request that we discontinue using certain data. It would be difficult, if not impossible, to comply with these requests, if the data had already been aggregated with other campaign data, and responding to these kinds of requests could also cause us to spend significant amounts of resources. Additionally, new browsers or operating systems or updates to browsers and operating systems may allow consumers to limit data collection and use. Interruptions, failures or defects in our data collection, mining, analysis and storage systems, as well as privacy concerns and regulatory restrictions regarding the collection of data, could also limit our ability to aggregate and analyze data from our advertisers' advertising campaigns. If that happens, we may not be able to optimize ad placement for the benefit of our advertisers, which could render our solutions less valuable, and, potentially result in loss of clients and a decline in revenues. Additional details are provided above under "--Risks Related to our Industry”.

Our mobile marketing business incurs upfront costs associated with onboarding advertisers to its platform and may not recoup our investment if we do not maintain the advertiser relationship over time. We do not have long-term agreements with advertisers of mobile applications, and may be unable to retain key advertisers, attract new advertisers or replace departing advertisers with advertisers that can provide comparable revenue to us.

When adding new advertisers of mobile applications, we incur upfront costs that generally include expenses associated with entering such advertisers' data into our systems and other implementation-related costs. Our operating results may be negatively affected if we are unable to recoup our upfront costs for adding new advertisers of mobile applications to our platform. Because our advertisers are billed over the term of the insertion order, if new advertisers sign insertion orders with short initial terms and do not renew them, or otherwise do not continue to use our services to a level that generates revenues in excess of our upfront expenses, our operating results could be negatively impacted.

Our agreements with advertisers of mobile applications do not generally include long-term obligations requiring them to purchase our services and are cancelable upon short notice and without penalty. As a result, we may have limited visibility as to our future advertising revenue streams. We cannot assure that our advertisers of mobile applications will continue to use our services or that we will be able to replace, in a timely or effective manner. Most of our platform revenue is derived from advertisers that based their campaigns on performance and are subject to fluctuation and competitive pressures. Such advertisers, which seek to drive app downloads, "clicks," or other specific actions by viewers, are less consistent with respect to their spending volume on our platform, and may decide to substantially increase or decrease their use of our services based on seasonality or popularity of a particular app. Advertisers of mobile applications may shift their business to a competitor because of new or more compelling offerings, strategic relationships, technological developments, pricing and other financial considerations, or a variety of other reasons. Any nonrenewal, renegotiation, cancellation or deferral of large advertisers of mobile applications, or a number of insertion orders that in the aggregate account for a significant amount of revenue, could cause an immediate and significant decline in revenue and harm our business.

Sales efforts with advertising and ad agency customers require significant time and expense.

Contracting with new advertising and ad agency customers requires substantial time and expense, and we may not be successful in establishing new relationships or in maintaining current relationships. We may spend substantial time and effort educating customers about our unique high impact offerings, including providing demonstrations and comparisons against other available solutions. It is often difficult to identify, engage and market to potential advertisers of mobile applications who do not currently spend on mobile advertising or are unfamiliar with our current services. Furthermore, many of our advertisers of mobile applications purchasing and design decisions generally require input from multiple internal parties of these customers. As a result, we must identify those involved in the purchasing decision and devote a sufficient amount of time to presenting our services to each of those decision-making individuals.

The novelty of our products, services and business model often requires us to spend substantial time and effort educating potential advertisers of mobile applications about our offerings, including providing demonstrations and comparisons against other available services. This process can be costly and time-consuming. If we are not successful in streamlining the sales processes with such advertisers, our ability to grow our business may be adversely affected.

We are highly dependent on publishers, supply-side platforms, and advertising exchanges to provide advertising inventory in order for us to deliver advertising campaigns in a cost-effective manner.

We depend on direct publishers to provide us with quality high impact advertising inventory, and we rely on direct publishers, supply-side platforms and advertising exchanges to provide us with quality standard unit advertising inventory (collectively “Supply Sources”). The Supply Sources that supply their advertising inventory to us typically do so on a non-exclusive basis and are not required to provide any minimum amounts of advertising inventory to us or to provide us with a consistent supply of advertising inventory. Supply Sources often maintain relationships with various sources of demand that compete with us, and it is easy for Supply Sources to quickly shift their advertising inventory among these demand sources, or to shift inventory to new demand sources, without notice or accountability. Supply Sources may also seek to change the terms at which they offer inventory to us, or allocate their advertising inventory to our competitors who offer advertisements to them on more favorable economic terms or whose offerings are considered more beneficial. Publishers may also elect to sell all, or a portion, of their advertising inventory directly to advertisers and agencies. In addition, significant digital media properties in the industry may enter into exclusivity arrangements with our competitors, which could limit our access to a meaningful supply of quality advertising inventory. As a result of all of these factors, Supply Sources may not supply sufficient quality advertising inventory to us to meet our demand for serving certain proprietary and non-proprietary ad formats to audiences that our advertisers require us to target.

Our supply of advertising inventory may be constrained as a result of a number of other factors, including, but not limited to:

- Publishers sometimes place significant restrictions on the sale of their advertising inventory. These restrictions may include frequency caps, prohibitions on advertisements from specific advertisers or specific industries, or restrictions on the use of specified creative content or advertising format thereby restraining our supply of available inventory.

- Online content and mobile applications may shift from an advertising-based monetization method to a pay for content/services model, thereby reducing available inventory.

- Social media platforms may be successful in keeping users within their sites via products such as Facebook's Instant Articles. If, as a result, users are not on the open web, advertising inventory on the open web (including our publisher's sites) will be reduced.

- Publishers may be reluctant to adopt certain of our proprietary ad formats for a variety of reasons (e.g. user preferences change making such ad formats less desirable) resulting in limited advertising inventory supply for such formats and inhibiting our ability to scale such formats.

In summary, if publishers decide not to make quality advertising inventory available to us, decide to increase the price of inventory, place significant restrictions on the sale of their advertising inventory, or if supply side platforms or exchanges terminate our access to them, we may not be able to replace this with inventory from other sellers that satisfies our requirements in a timely and cost-effective manner. If any of this happens, our revenue could decline or our cost of acquiring inventory could increase, lowering our operating margins.

If we do not continue to innovate and provide high quality solutions and services, we may not remain competitive, and our business and results of operations could be materially adversely affected.

Our success depends on providing high quality solutions and services that foster consumer engagement. Our competitors, as well as the publishers themselves, are continuously developing innovations in online advertising, including new ad formats and video ads. Therefore, if we do not continue to innovate, our offering could become less desirable. As a result, we must continue to invest significant resources in research and development in order to enhance our technology and our existing solutions and services and introduce new high-quality solutions and services. If we are unable to predict user preferences or industry changes, or if we are unable to modify our solutions and services on a timely basis, and as a result are unable to provide quality solutions and services that run without complication or service interruptions, our customers may become dissatisfied and we may lose customers to our competitors and our reputation in the industry may suffer, making it difficult to attract new customers. Our operating results will also suffer if our innovations are not responsive to the needs of our customers, are not appropriately timed with market opportunity or are not effectively brought to market. As online advertising technologies continue to develop, our competitors may be able to offer solutions that are, or that are perceived to be, substantially similar or better than those offered by us. Customers will not continue to do business with us if our solutions do not deliver advertisements in an appropriate and effective manner and if the advertiser's investment in advertising does not generate the desired results. If we are unable to meet these challenges, our business and results of operations could be materially adversely affected.

If the demand for high impact digital advertising does not develop or customers do not embrace our solutions, this could have a material adverse effect on our business.

We have made significant investments in high impact advertising through internal development efforts and acquisitions. There is, however, the chance that the overall market for these ads does not develop, or that it does not develop in a specific medium, such as mobile. Additionally, even if the market for these solutions develops, customers might not embrace our offerings. For example, competitive offerings may be offered at lower prices or be perceived as having better features and functionality. Further, even if the market for these solutions develops, we may not be able to scale our creative and technical production of high impact ad units.

The generation of revenues from search activity through large publishers is subject to competition. If we cannot compete effectively in this market, our revenues are likely to decline.

We obtain a significant portion of our revenues through designating the Company as the default search provider during the download of our publishers' product, and the use of our search services and the subsequent searches performed by the users thereof. We therefore are constantly looking for ways to convince potential users to accept our offering, designate the Company as its default search provider and accept the other search properties offered. To achieve these goals, we rely heavily on third-party publishers to distribute our search syndication services as a value-added component of their own offerings. There are other companies that generate revenue from searches, some of them with a more significant presence than ours and with greater capability to offer substantially more content. The large search engine companies, including Google, Microsoft and others, have become increasingly aggressive in their own search service offerings. In addition, we need to continually maintain the technological advantage of our platform, products and other services in order to attract partners to our offering. If the search engine companies engage more direct relationships with publishers or we are unable to maintain the technological advantage to service our partners, we may lose both existing and potential new partner publishers and our ability to generate revenues will be negatively impacted.

Our mobile marketing business depends on ad networks and exchanges for mobile advertising opportunities to deliver our developer clients' advertising campaigns, and any decline in the advertising opportunities these venues provide could hurt our business.

We depend on ad networks and exchanges to provide us with advertising space on which we deliver ads. The future growth of our mobile marketing business will depend, in part, on our ability to enter into successful relationships with ad networks and exchanges. Identifying these venues and negotiating and documenting relationships with them requires significant time and resources. If we are unsuccessful in establishing or maintaining our relationships with these networks and exchanges on commercially reasonable terms, or if these relationships are not profitable for us, our ability to compete in the marketplace or to grow our revenues from our mobile marketing business could be impaired.

The contracts governing these relationships are typically nonexclusive and do not prohibit the relevant network or exchange from working with our competitors or from offering competing services. The tools that we provide to advertisers of mobile applications allow them to make decisions as to how to allocate advertising inventory among advertising networks. Ad networks and exchanges may change the price at which they offer advertising opportunities to us. In addition, ad networks and exchanges may place significant restrictions on the advertising presented on their offerings. These restrictions may prohibit ads from specific advertisers or specific industries, or they could restrict the use of specified creative content or format. If ad networks and exchanges decide not to make advertising available to us for any of these reasons, decide to increase the price of their advertising space, or place significant restrictions on such, the revenue from our mobile marketing business could decline or our cost of acquiring inventory could increase.

In order to receive advertisement-generated revenues from our search partners, we depend, in part, on factors outside of our control.

The amount of revenue we receive from each of our search partners depends upon a number of factors outside of our control, including the amount these search providers charge for advertisements, the efficiency of the search provider's system in attracting advertisers and syndicating paid listings in response to search queries and parameters established by it regarding the number and placement of paid listings displayed in response to search queries. In addition, each of the search partners makes judgments about the relative attractiveness (to the advertiser) of clicks on paid listings from searches performed on our search assets, and these judgments factor into the amount of revenue we receive. Changes to search partners' paid listings network efficiency, its judgment about the relative attractiveness of clicks on paid listings or the parameters applicable to the display of paid listings could have an adverse effect on our business, financial condition and our results of operations. Such changes could come about for a number of reasons, including general market conditions, competition or policy and operating decisions made by Microsoft or Google or other of our search partners.

Commoditization in digital advertising could have a material adverse effect on our business.

There has been commoditization resulting in margin pressure in display and video advertising. If such commoditization occurs in areas such as high impact and mobile, this could have a material adverse effect on our business.

A decline in market acceptance for Microsoft technologies on which our products rely could have a material adverse effect on us.

Some of our products and those of our partners currently run or are based on Microsoft Windows operating systems. Recently Android and Apple have gained popularity and market share, particularly in the mobile market. A decline in market acceptance of Microsoft technologies or the increased acceptance of other operating systems without products that work on these competing operating systems in a timely fashion could have a material adverse effect on our ability to market our products. Consumers are adopting these alternative technologies in increasing numbers and are migrating to other computing technologies that we do not currently support. In addition, our products and technologies must continue to be compatible with new developments in Microsoft technologies. Microsoft could introduce new features that would make it more difficult to install our search services. We cannot always maintain such compatibility and we cannot assure you that we will not incur significant expenses or losses of income in connection therewith.

Risks related to our Financial Status and Operating Environment

If we fail to comply with the terms and covenants of our debt obligations, our financial position may be adversely affected.

As of December 31, 2015, we had convertible bonds outstanding having an aggregate principal amount of approximately ILS 143.5 million (then equivalent to approximately $36.8 million). In the event that we fail to comply with the terms and/or covenants of our convertible bonds or our $19.9 million loan agreement with Bank Leumi, and cannot obtain a waiver of noncompliance, we may be required to immediately repay all of our outstanding indebtedness and the bond trustee and the bank may be entitled to exercise the remedies available under the convertible bonds and applicable law.

In addition, pursuant to the Undertone merger agreement, we are required to pay deferred consideration in the amount of $20 million, bearing interest, in November 2020. In the event that we fail to comply with certain provisions of the merger agreement, or if Undertone fails to comply with the terms and/or covenants of its $60 million secured loan agreement and the loan is accelerated, we may be required to immediately pay the $20 million deferred consideration under the merger agreement and Undertone may be required to immediately repay all of its outstanding indebtedness under the loan agreement.

There is no assurance that we will be able to generate the cash necessary to fund the scheduled payments from operations or from additional equity or debt financing or other funding sources or that our operating results will enable us to meet our covenants and financial ratios as of the end of each fiscal quarter. Our inability to comply with the repayment schedules, covenants or financial ratios under our debt instruments could result in a material adverse effect on us.

The terms of our credit facilities contain restrictive covenants that limit our business, financing, and investing activities.

The terms of our credit facilities include customary covenants that impose restrictions on our business, financing, and investing activities, subject to certain exceptions or the consent of our lenders including, among other things, limits on our ability to incur additional debt, create liens, enter into merger, acquisition and divestiture transactions, pay dividends, and engage in transactions with affiliates. The credit facilities also contain certain customary affirmative covenants and events of default. Our ability to comply with the covenants may be adversely affected by events beyond our control, including but not limited to, economic, financial and industry conditions. A breach of any credit facility covenant that is not cured or waived may result in an event of default. This may allow our lenders to terminate the commitments under the credit facilities, declare all amounts outstanding under the credit facilities, together with accrued interest, to be immediately due and payable, and to exercise other rights and remedies. If this occurs, we may not be able to refinance the accelerated indebtedness on acceptable terms, or at all, or otherwise repay the accelerated indebtedness which could have a material adverse effect on us.

In addition, certain covenants also limit our flexibility in planning for, or reacting to, changes in our business and our industry. Complying with these covenants may impair our ability to finance our future operations or acquisitions or capital needs or to engage in other favorable business activities.

We have acquired and intend to continue to acquire other businesses. These acquisitions divert a substantial part of our resources and management attention and have in the past and could in the future, cause further dilution to our shareholders and adversely affect our financial results.

We acquired Smilebox in August 2011, SweetIM in November 2012, ClientConnect in January 2014, Grow Mobile in July 2014, Make Me Reach in February 2015, and Undertone in November 2015, and we intend to continue to acquire complementary products, technologies or businesses. Seeking and negotiating potential acquisitions to a certain extent diverts our management's attention from other business concerns, and is expensive and time-consuming. New acquisitions could expose our business to unforeseen liabilities or risks associated with the business or assets acquired or with entering new markets. In addition, we might lose key employees and vendors while integrating new organizations and may not effectively integrate the acquired products, technologies or businesses, or achieve the anticipated revenues or cost benefits or might harm our relationships with our future or current technology suppliers. Future acquisitions could result in customer dissatisfaction or vendor dissatisfaction or performance problems with an acquired product, technology or company. Paying the purchase price for acquisitions in the form of cash, debt or equity securities could weaken our cash position, increase our leverage or dilute our existing shareholders, as the case may be. Furthermore, a substantial portion of the price paid for these acquisitions is typically for intangible assets. We may incur contingent liabilities, amortization expenses related to intangible assets or possible impairment charges related to goodwill or other intangible assets or other unanticipated events or circumstances relating to the acquisition, and we may not have, or may not be able to enforce, adequate remedies in order to protect our Company. Moreover, not all acquisitions result in better results of the acquiring company. All acquisitions may end up in losses, unwanted results and waste of valuable resources, time and money. If any of these or similar risks relating to acquiring products, technologies or businesses should occur in the future on a scale that is greater than the positive effects of the acquisition described above, our business could be materially harmed.

Our financial performance may be materially adversely affected by information technology, insufficient cyber security and other business disruptions.

Our business is constantly challenged and may be impacted by disruptions, including information technology attacks or failures. Cybersecurity attacks, in particular, are evolving and include, but are not limited to, malicious software, attempts to gain unauthorized access to data, and other electronic security breaches that could lead to disruptions in systems, unauthorized release of confidential or otherwise protected information and corruption of data and overloading our servers and systems with communications and data. Unidentified groups have hacked numerous Internet websites and servers, including our own, for various reasons, political, commercial and other. Given the unpredictability of the timing, nature and scope of such disruptions, we could potentially be subject to substantial system downtimes, operational delays, other detrimental impacts on our operations or ability to provide products and services to our customers, the compromising of confidential or otherwise protected information, destruction or corruption of data, security breaches, other manipulation or improper use of our systems and networks, financial losses from remedial actions, loss of business or potential liability, and/or damage to our reputation, any of which could have a material adverse effect on our cash flows, competitive position, financial condition and results of operations. Although these attacks cause certain difficulties, they have not had a material effect on our business, financial condition or results of operations. However, there can be no assurance that such attacks can be prevented or that any such incidents will not have a material adverse effect on us in the future.

Class action litigation due to share price volatility or other factors could cause us to incur substantial costs and divert our management's attention and resources.

Historically, public companies that experience periods of volatility in the market price of their securities and/or engage in substantial transactions, are sometimes met with class action litigation. Companies in the Internet and software industry, such as ours, are particularly vulnerable to this kind of litigation as a result of the volatility of their stock prices and their regular involvement in transactional activities. In the past, we were named as a defendant in this type of litigation in connection with our acquisition of ClientConnect, and although this lawsuit was dismissed, in the future litigation of this sort could result in considerable costs and a diversion of management's attention and resources.

If we are deemed to be non-compliant with applicable data protection laws, or are even thought to be so, our operating results could be materially affected.

We collect, use, and maintain certain data about our customers, partners, employees and consumers. Such collection and maintenance of information is subject to data protection laws and regulations. A failure to comply with applicable regulations could result in class actions, governmental investigations and orders, and criminal and civil liabilities, which could materially affect our operating results. Moreover, concerns about our collection, use, sharing or handling of such data or other privacy related matters, even if unfounded, could harm our reputation and operating results.

Although we strive to comply with the applicable laws and regulations and use our best efforts to comply with the evolving global standards regarding privacy and inform our customers of our business practices prior to any installations of our product and use of our services, it is possible that these laws may be interpreted and applied in a manner that is inconsistent with our data collection, use, and preservation practices or that it may be argued that our practices do not comply with other countries' privacy and data protection laws and regulations. In addition to the possibility of fines, such a situation could result in the issuance of an order requiring that we change our data collection or retention practices, which in turn could have a material adverse effect on our business. See "Item 4.B Business Overview — Government Regulation" for additional discussion of applicable regulations.

Our products operate in a variety of computer and device configurations and could contain undetected errors or defects that could result in product failures, lost revenues and loss of market share.

Our software and advertising products may contain undetected errors, failures or defects, especially when the products are first introduced or when new versions are released. Our customers' computer and other device environments are often characterized by a wide variety of standard and non-standard configurations that make pre-release testing for programming or compatibility errors very difficult and time-consuming. As a result, there could be errors or failures in our products. In addition, despite testing by us and beta testing by some of our users, errors, failures or bugs may not be found in new products or releases until after commencement of commercial sales. In the past, we have discovered software errors, failures and defects in certain of our product offerings after their full introduction and have experienced delayed or lost revenues during the period required to correct these errors.

Errors, failures or defects in products released by us could result in negative publicity, product returns, makegoods, refunds, loss of or delay in market acceptance of our products, loss of competitive position or claims by customers. Alleviating any of these problems could require significant expense and resources and could cause interruptions.

We depend on third party Internet and telecommunication providers to operate our websites and web-based services. Temporary failure of these services, including catastrophic or technological interruptions, would materially reduce our revenues and damage our reputation, and securing alternate sources for these services could significantly increase our expenses and be difficult to obtain.

Each of our third party Internet and telecommunication providers may not continue to provide services to us without disruptions at the current cost or at all. Moreover, as traffic to our websites and applications increases and the number of new (and presumably more complex) products and services that we introduce continues to rise, we will need to upgrade our systems, infrastructures and technologies generally to facilitate this growth. Although there is certain overlap between the companies that provide such services, such a disruption in services by any one of them, even if temporary, would reduce our revenues from product sales and possibly even from search, depending on the extent of disruption. We also rent the services of approximately 530 servers located around the world, mainly through Amazon Web Services. While we believe that there are many alternative providers of hosting and other communication services available to us, the costs associated with any transition to a new service provider could be substantial and require us to reengineer our computer systems and telecommunications infrastructure to accommodate a new service provider. Such processes could be both expensive and time consuming and could result in lost business both during the transition period and after.

Our servers and communications systems could be damaged or interrupted by fire, flood, power loss, telecommunications failure, earthquakes, acts of war or terrorism, acts of God, computer viruses, physical or electronic break-ins and similar events or disruptions. Although we maintain back-up systems for our servers, any of these events could cause deterioration in performance or interruption in these systems, delays, and loss of critical data and registered users and revenues.

We currently rely solely on the Internet as a means to sell our products. Accordingly, if we, or our customers, are unable to utilize the Internet due to a failure of technology or infrastructure, hacking, terrorist activity or other reasons, we could lose current or potential customers and revenues. While we have backup systems for most aspects of our operations, our systems are not fully redundant and our disaster recovery planning may not be sufficient for all eventualities. In addition, we may have inadequate insurance coverage to compensate us for losses from a major interruption. Furthermore, interruptions in our website could materially impede our ability to attract new companies to advertise on our website and to maintain relationships with current advertisers. Difficulties of this kind could damage our reputation, be expensive to remedy and curtail our growth.

Due to our evolving business model and rapid changes in the Internet and the nature of services, particularly mobile advertising platforms, we may not be able to accurately predict our future performance or increase revenue or profitability.

As a result of the volatile and declining nature of our search revenues and display advertising, we have decided to develop and focus future growth efforts on mobile advertising and mobile platforms. We do not have an extensive history of ongoing operations from which to predict our future performance, and making such predictions is very complex and challenging, particularly with regard to aggressively increasing the distribution and profitability of these platforms as well as maintaining our existing business. The future viability of our business will greatly depend on our ability to offer a robust, stable and efficient platform for our partners in the mobile advertising market, as well as adapting and creating new platforms and products in this market. If we are unsuccessful in doing so in a timely fashion, we may not be able to achieve revenue growth or increase our profitability.

A loss of the services of our senior management, other key personnel and technology vendors could adversely affect execution of our business strategy.

We depend on the continued services of our senior management, particularly Josef Mandelbaum, our Chief Executive Officer. Our current strategy is, to a great extent, a function of his capabilities and experience together with the experience and knowledge of our other senior management. The loss of the services of these personnel could create a gap in management and could result in the loss of expertise necessary for us to execute our business strategy and thereby adversely affect our business. We do not currently have "key person" life insurance with respect to any of our senior management.

Further, our ability to execute our business strategy also depends on our ability to continue to attract, retain and motivate qualified and skilled technical and creative personnel and skilled management, marketing and sales personnel, as well as third party technology vendors. Competition for well-qualified employees in our industry is intense and our continued ability to compete effectively depends, in part, upon our ability to retain existing key employees and to attract new skilled employees as well. If we cannot attract and retain additional key employees or lose one or more of our current key employees, our ability to develop or market our products and attract or acquire new users could be adversely affected. Although we have established programs to attract new employees and provide incentives to retain existing employees, particularly senior management, we cannot be assured that we will be able to retain the services of senior management or other key employees as we continue to integrate the Undertone business or that we will be able to attract new employees in the future who are capable of making significant contributions. See "Item 6 Directors, Senior Management and Employees."

Should some of our vendors terminate their relationship with us, our ability to continue the development of some of our products could be adversely affected, until such time that we find adequate replacement for these vendors, or until such time that we can continue the development on our own.

Under current Israeli, U.S., U.K., French and German law, we may not be able to enforce non-competition and non-solicitation covenants and, therefore, we may be unable to prevent our competitors from benefiting from the expertise of some of our former employees and/or vendors, whether current or former.

We have entered into non-competition and non-solicitation agreements with many of our employees and vendors. These agreements prohibit our employees and vendors, if they terminate their relationship with us, from competing directly with us, working for our competitors, or soliciting current employees away from us for a limited period. Under current Israeli, U.S., U.K., French and German law, we may be unable to enforce these agreements, in whole or in part, and it may be difficult for us to restrict our competitors from gaining the expertise that our former employees gained while working for us. For example, Israeli courts have required employers seeking to enforce non-compete undertakings of a former employee to demonstrate that the competitive activities of the former employee will harm one of a limited number of material interests of the employer which have been recognized by the courts, such as the secrecy of a company's confidential commercial information or its intellectual property. If we cannot demonstrate that harm would be caused to us, we may be unable to prevent our competitors from benefiting from the expertise of our former employees.

Exchange rate fluctuations may harm our earnings and asset base if we are not able to hedge our currency exchange risks effectively.

A significant portion of our costs, primarily personnel expenses, are incurred in ILS. Inflation in Israel may have the effect of increasing the U.S. dollar cost of our operations in Israel. Further, whenever the U.S. dollar declines in value in relation to the ILS, it will become more expensive for us to fund our operations in Israel. A revaluation of one percent of the ILS as compared to the U.S. dollar could impact our income before taxes by approximately $0.4 million. The exchange rate of the U.S. dollar to the ILS has been very volatile in the past three fiscal years, decreasing by approximately 7% in 2013, increasing by approximately 12% in 2014, and decreasing by less than 1% in 2015. As of December 31, 2015, we had a foreign currency net liability of approximately $39.5 million (which number includes approximately $35.5 million in long-term ILS denominated convertible bonds that we issued in Israel in September 2014**)**, and our total foreign exchange gain was approximately $0.6 million for the year ended December 31, 2015. To assist us in assessing whether or not, and how to, hedge risks associated with fluctuations in currency exchange rates, we have contracted a consulting firm proficient in this area, and are generally implementing their proposals. However, due to market conditions, volatility and other factors, we do not always implement our consultant's proposals in full and our consultant's proposals do not always prove to be effective and may even prove harmful. We may incur losses from unfavorable fluctuations in foreign currency exchange rates. See "Item 11 Quantitative and Qualitative Disclosure of Market Risks" for further discussion of the effects of exchange rate fluctuations on earnings.

Our international operations involve special risks that could increase our expenses, adversely affect our operating results and require increased time and attention of our management.

A large portion of our operations are performed from outside the United States. In addition, we derive and expect to continue to derive a portion of our revenues from users outside the United States. Our international operations and sales are subject to a number of inherent risks, including risks with respect to:

- potential loss of proprietary information due to piracy, misappropriation or laws that may be less protective of our intellectual property rights than those of the United States;

- costs and delays associated with translating and supporting our products in multiple languages;

- foreign exchange rate fluctuations and economic instability, such as higher interest rates and inflation, which could make our products more expensive in those countries;

- costs of compliance with a variety of laws and regulations;
- restrictive governmental actions such as trade restrictions;
- limitations on the transfer and repatriation of funds and foreign currency exchange restrictions;
- compliance with different consumer and data protection laws and restrictions on pricing or discounts;
- lower levels of adoption or use of the Internet and other technologies vital to our business and the lack of appropriate infrastructure to support widespread Internet usage;
- lower levels of consumer spending on a per capita basis and fewer opportunities for growth in certain foreign market segments compared to the United States;
- lower levels of credit card usage and increased payment risk;
- changes in domestic and international tax regulations; and
- geopolitical events, including war and terrorism.

Risks related to our Technological Environment

If we fail to detect non-human traffic or other invalid traffic or engagement with our ads, we could lose the confidence of our advertisers, damage our reputation, and be responsible for makegoods or refunds, which would cause our business to suffer.

Our business relies on delivering positive results to our advertisers**.** We are exposed to the risk of fraudulent impressions, clicks, or conversions that advertisers may perceive as undesirable. Such fraudulent activities may occur when a software program, known as a bot, spider, or crawler, intentionally simulates user activity causing impressions, ad engagements or clicks to be counted as real users. Such malicious software programs can run on single machines or on tens of thousands of machines, making them difficult to detect and filter.

If fraudulent or other malicious activity is perpetrated by others, and we are unable to detect and prevent it, the affected advertisers may experience or perceive a reduced return on their investment. High levels of invalid or fraudulent activity could lead to dissatisfaction with our advertising services, refusals to pay, refund or make good demands, or withdrawal of future business. Any of these occurrences could damage our brand and lead to a loss of our revenue.

We may not be able to enhance our platform to keep pace with technological and market developments in our evolving industry.

To keep pace with technological developments, satisfy increasing developer requirements, maintain the attractiveness and competitiveness of our mobile advertising solutions and ensure compatibility with evolving industry standards, we will need to regularly enhance our platform and develop and introduce new services on a timely basis. We also must update our software to reflect changes in advertising networks' application programming interfaces ("APIs"), technological integration and terms of use. The success of any enhancement or new solution depends on several factors, including timely completion, adequate quality testing, appropriate introduction and market acceptance. Our inability, for technological, business or other reasons, to timely enhance, develop, introduce and deliver compelling mobile advertising services in response to changing market conditions and technologies or evolving expectations of advertisers of mobile applications or mobile device users could hurt our ability to grow our mobile marketing business.

If advertisers continue to shift toward computerized transacting, it could lead to a loss in revenue.

There has been a recent shift to computerized transacting (also known as transacting programmatically) in display advertising. If this shift occurs in other areas of advertising, such as high impact, and users are unwilling to work with our method of delivering high impact programmatically, it may negatively affect our revenue.

We provide a platform for application developers to advertise and effectively distribute their application. The mobile advertising market is relatively new and may develop or evolve not as currently expected, which could harm our mobile marketing business.

The market for mobile advertising management solutions such as ours is relatively new, and the solutions offered or being developed may not achieve or sustain high levels of demand and market acceptance. Advertisers of mobile applications have historically spent a smaller portion of their advertising budgets on mobile media as compared to traditional advertising methods, such as television, newspapers, radio and billboards, or online advertising over the Internet, such as through banner ads on websites. Many advertisers of mobile applications still have limited experience with mobile advertising and their utilization of this newer platform may evolve in a different fashion than currently expected. In addition, our current and potential advertisers may ultimately find mobile advertising to be less effective than traditional advertising media or marketing methods or other technologies for promoting their products and services, and may even reduce spending on mobile advertising from current levels as a result. If the market for mobile advertising deteriorates, or develops in a different fashion than currently expected, we may not be able to increase our revenues.

The growth of our mobile marketing business will be impaired if mobile devices, their operating systems or content distribution channels develop in ways that prevent our mobile marketing business's advertising campaigns from being delivered to their users.

Our mobile marketing future business is dependent on the need of mobile application advertisers for assistance in managing their advertising campaigns, including assistance in connecting such advertisers of mobile applications with advertising networks. If advertising networks significantly open their platforms and make more data available to their advertisers, the importance of our ability to manage an ad campaign and provide analytics would be diminished, potentially harming its revenues.

We do not control consumer infrastructure. If consumer infrastructure fails, we may be unable to deliver our services and could suffer a material adverse effect.

Consumer infrastructure could fail for a variety of reasons, including new technology incompatibility, the degradation of network performance under the strain of too many consumers using the network, a general failure from natural disaster, or a political or regulatory shut-down. Individuals and groups who develop and deploy viruses, worms and other malicious software programs could also attack consumer infrastructure and the devices that run on those networks. Any such occurrences could impact our ability to serve ads and lead to a loss of revenue.

The introduction of new browsers and other popular software products may materially adversely affect user engagement with our search services.

Users typically install new software and update their existing software as new or updated software is introduced online by third-party developers. In addition, when a user purchases a new computing device or installs a new Internet browser, it generally uses the Internet search services that are typically pre-installed on the new device or Internet browser. Our products are distributed online and are usually not pre-installed on computing devices. Further, as many software vendors that distribute their solutions online also offer search services alongside their primary software product, users often replace our search services with those provided by these vendors in the course of installing new software or updating existing software. After users have installed search solutions offered by us, any event that results in a significant number of our users changing or upgrading their Internet browsers could result in the failure to generate the revenues that we anticipate from our users and result in a decline in our user base. Finally, although we constantly monitor the compatibility of our Internet search services and related solutions with such new versions and upgrades, we may not be able to make the required adjustments to ensure constant availability and compatibility of such solutions.

Risks related to our Solutions' Reputation and Perception

Our business depends on a strong brand reputation, and if we are not able to maintain and enhance our brand, our business and results of operations could be materially adversely affected.

Maintaining and enhancing our Undertone brand is an important aspect of our efforts to attract and expand our agency, advertiser and publisher base. Maintaining and enhancing our Undertone brand will depend largely on our ability to provide high-quality, innovative products and services, and there are no assurances that we will be able to continue to do so successfully. We have spent, and expect to continue spending, money and other resources on the establishment, building and maintenance of our Undertone brand, as well as on enhancing customer awareness of it. Our Undertone brand, however, may be negatively impacted by a number of factors, including but not limited to, fraud on publisher sites on which we serve ads, service outages, product malfunctions, data protection and security issues, and exploitation of our trademarks by others without our permission. If we are unable to maintain or enhance our Undertone brand in a cost-effective manner, our business and operating results could be materially adversely affected.

We may be unable to deliver advertising in a brand safe environment, which could harm our reputation and cause our business to suffer.

It is important to brand advertisers that advertisements are not placed in or near content that is unlawful or would be deemed offensive or inappropriate by their customers. Unlike advertising in other mediums, we cannot guarantee that online advertisements will not appear in such an environment. If we are not successful in delivering ads in such an environment, our reputation could suffer and our ability to attract potential advertisers and retain and expand business with existing advertisers could be harmed, or our customers may seek to avoid payment or demand refunds, any of which could harm our business and operating results.

We have experienced a decline in business, and market perception of our search business has not been favorable. As a result, we may have difficulty achieving revenue growth and entering new markets.

Over the past several quarters, we have experienced a decline in revenues and an increasingly negative market bias regarding a major source of revenues, search-generated revenues. The combination of these factors presents challenges in:

- recruiting and retaining highly qualified personnel for our current business and the new business we are developing;
- attracting and acquiring customers and partners to support and expand our business; and
- raising funds or utilizing our equity to facilitate acquisitions.

If we cannot maintain the commitment of our employees, recruit new employees and make the acquisitions required to enhance our organic activity, we may not return to revenue growth and our financial results will suffer.

Our reputation has been and may continue to be negatively impacted by a number of factors, including the negative reputation associated with search assets, search setting take over, toolbars, product and service quality concerns, complaints by publishers or end users or actions brought by them or by governmental or regulatory authorities and related media coverage and data protection and security breaches. Moreover, the inability to develop and introduce monetization products and services that resonate with consumers and/or the inability to adapt quickly enough (and/or in a cost effective manner) to evolving changes to the Internet and related technologies, applications and devices, could adversely impact our reputation, and, in turn, our business, financial condition and our results of operations.

Risks Related to our Intellectual Property

Our intellectual property may not be adequately protected and thus our technology may be unlawfully copied by other third parties.

The technology we use and is incorporated into our offering may not be protected by patents.

There is no assurance that any existing or future patents will afford adequate protection against competitors and similar technologies. We regard the protection of our intellectual property as critical to our success. We strive to protect our intellectual property rights by relying on contractual restrictions, common law rights, as well as federal and international intellectual property registrations and the laws on which these registrations are based.

We generally enter into confidentiality and invention assignment agreements with our employees and contractors, and confidentiality agreements with parties with whom we conduct business, in order to limit access to, and the disclosure and use of, our proprietary information. However, we may not be successful in executing these agreements with every party who has access to our confidential information or contributes to the development of our intellectual property. In addition, those agreements that we do execute may be breached, and we may not have adequate remedies for any such breach. Further, these contractual arrangements and the other steps we have taken to protect our intellectual property may not prevent the misappropriation of our intellectual property, or deter independent development of similar intellectual property by others.

Third party claims of infringement or other claims against us could require us to redesign our products, seek licenses, or engage in costly intellectual property litigation which could adversely affect our financial position and our ability to execute our business strategy.

Given the competitive nature of our industry, companies often design similar products and services. At times, this can cause claims of intellectual property infringement and potentially litigation. Further, the appeal of some of our products is largely the result of the graphics, sound and multimedia content that we incorporate into our products. We enter into licensing arrangements with third parties for some of these uses. However, other third parties may from time to time claim that our current or future use of content, sound and graphics infringe their intellectual property rights, and seek to prevent, limit or interfere with our ability to make, use or sell our products. We have experienced such claims in the past although ultimately with no material consequence.

If it appears necessary or desirable, we may seek to obtain licenses for intellectual property rights that we are allegedly infringing, may infringe or desire to use. Although holders of these types of intellectual property rights often offer these licenses, we cannot assure you that licenses will be offered or that the terms of any offered licenses will be acceptable to us. Our failure to obtain a license for key intellectual property rights such as these from a third party for technology or content, sound or graphic used by us could cause us to incur substantial liabilities and to suspend the development and sale of our products. Alternatively, we could be required to expend significant resources to re-design our products or develop non-infringing technology. If we are unable to re-design our products or develop non-infringing technology, our revenues could decrease and we may not be able to execute our business strategy.

On December 22, 2015, Adtile Technologies Inc. filed a lawsuit against Perion and Undertone alleging, *inter alia*, that Undertone’s UMotion advertising format, “hand phone” image, and use of the full tilt library infringes on its intellectual property. On February 3, 2016, Adtile Technologies Inc. filed a motion for preliminary injunction to, *inter alia*, prevent Undertone from creating or selling motion-activated advertisements. If we do not prevail in this case, we may incur monetary damages and/or be prohibited from using certain intellectual property.

We may also become involved in litigation in connection with the brand name rights associated with our Company name or the names of our products. We do not know whether others will assert that our Company name or any of our brands name infringe(s) their trademark rights. In addition, names we choose for our products may be alleged to infringe names held by others. If we have to change the name of our Company or products, we may experience a loss in goodwill associated with our brand name, customer confusion and a loss of sales. Any lawsuit, regardless of its merit, would likely be time-consuming, expensive to resolve and require additional management time and attention.

We use certain "open source" software tools that may be subject to intellectual property infringement claims or that may subject our derivative works or products to unintended consequences, possibly impairing our product development plans, interfering with our ability to support our clients or requiring us to allow access to the source code of our products or necessitating that we pay licensing fees.

Certain of our products contain open source code and we may use more open source code in the future. In addition, certain third party software that we embed in our products contains open source code. Open source code is code that is covered by a license agreement that permits the user to liberally use, copy, modify and distribute the software without cost, provided that users and modifiers abide by certain licensing requirements. The original developers of the open source code provide no warranties on such code.

As a result of the use of open source software, we could be subject to suits by parties claiming ownership of what they believe to be their proprietary code or we may incur expenses in defending claims alleging non-compliance with certain open source code license terms. In addition, third party licensors do not provide intellectual property protection with respect to the open source components of their products, and we may be unable to be indemnified by such third party licensors in the event that we or our customers are held liable in respect of the open source software contained in such third party software. If we are not successful in defending against any such claims that may arise, we may be subject to injunctions and/or monetary damages or be required to remove the open source code from our products. Such events could disrupt our operations and the sales of our products, which would negatively impact our revenues and cash flow.

Moreover, under certain conditions, the use of open source code to create derivative code may obligate us to make the resulting derivative code available to others at no cost. The circumstances under which our use of open source code would compel us to offer derivative code at no cost are subject to varying interpretations. If we are required to publicly disclose the source code for such derivative products or to license our derivative products that use an open source license, our previously proprietary software products may be available to others without charge. If this happens, our customers and our competitors may have access to our products without cost to them which could harm our business. Certain open source licenses require as a condition to use, modification and/or distribution of such open source that proprietary software incorporated into, derived from or distributed with such open source be disclosed or distributed in source code form, be licensed for the purpose of making derivative works, or be redistributable at no charge. The foregoing may under certain conditions be interpreted to apply to our software, depending upon the use of the open source and the interpretation of the applicable open source licenses.

We monitor our use of open source code to avoid subjecting our products to conditions we do not intend. The use of open source code, however, may ultimately subject some of our products to unintended conditions so that we are required to take remedial action that may divert resources away from our development efforts.

Risks Related to our Operations in Israel

Political, economic and military instability in the Middle East may impede our ability to operate and harm our financial results.

Our principal executive offices are located in Israel. Accordingly, political, economic and military conditions in the Middle East may affect our business directly. Since the establishment of the State of Israel in 1948, a number of armed conflicts have occurred between Israel and its Arab neighbors, Hamas (an Islamist militia and political group in the Gaza Strip) and Hezbollah (an Islamist militia and political group in Lebanon). Recent political uprisings, social unrest and violence in various countries in the Middle East and North Africa, including Israel's neighbors Egypt and Syria, are affecting the political stability of those countries. This instability may lead to deterioration of the political relationships that exist between Israel and these countries and have raised concerns regarding security in the region and the potential for armed conflict. In addition, Iran has threatened to attack Israel and is believed to be developing nuclear weapons. Iran is also believed to have a strong influence among the Syrian government, Hamas and Hezbollah. These situations may potentially escalate in the future to more violent events which may affect Israel and us. These situations, including conflicts which involved missile strikes against civilian targets in various parts of Israel, such as the Gaza conflict in the summer of 2014, have in the past negatively affected business conditions in Israel. Any hostilities involving Israel could have a material adverse effect on our business, operating results and financial condition. Although such hostilities did not in the past have a material adverse impact on our business, we cannot guarantee that hostilities will not be renewed and have such an effect in the future. Ongoing and revived hostilities and the attempts to resolve the conflict between Israel and its Arab neighbors often results in political instability that affects the Israeli capital markets and can cause volatility in interest rates, exchange rates and stock market quotes. The political and security situation in Israel may result in parties with whom we have contracts claiming that they are not obligated to perform their commitments under those agreements pursuant to force majeure provisions. These or other Israeli political or economic factors could harm our operations and product development and cause our sales to decrease. Since our headquarters are located in Israel, we could experience serious disruptions if acts associated with this conflict result in any serious damage to our facilities. Our business interruption insurance may not adequately compensate us for losses that may occur and any losses or damages incurred by us could have a material adverse effect on our business. Any future armed conflicts in the region would likely negatively affect business conditions, harm our results of operations and make it more difficult for us to raise capital.

Several countries, principally in the Middle East, restrict doing business with Israel and Israeli companies, and additional countries may impose restrictions on doing business with Israel and Israeli companies whether as a result of hostilities in the region or otherwise. In addition, there have been increased efforts by activists to cause companies and consumers to boycott Israeli companies based on Israeli government policies. Such actions, particularly if they become more widespread, may adversely impact our business and results of operations.

Our operations may be disrupted by the obligations of our Israeli personnel to perform military service.

As of December 31, 2015, approximately 48% of our workforce is located in Israel and could be obliged to perform military service. All non-exempt male adult citizens and permanent residents of Israel under the age of 40, or older for reserves officers or citizens with certain occupations, as well as certain female adult citizens and permanent residents of Israel, are obligated to perform military reserve duty and may be called to active duty under emergency circumstances. In recent years, there have been significant call-ups of military reservists, including in the summer of 2014, and it is possible that there will be additional call-ups in the future. Many of our male employees in Israel, including members of senior management, are obligated to perform up to 36 days of military reserve duty annually until they reach the relevant age of discharge from army service and, in the event of a military conflict, could be called to active duty. While we have operated effectively despite these conditions in the past, we cannot assess what impact these conditions may have in the future, particularly if emergency circumstances arise. Our operations could be disrupted by the absence of a significant number of our employees related to military service or the absence for extended periods of military service of one or more of our executive officers or key employees. Any disruption in our operations would harm our business.

Investors and our shareholders generally may have difficulties enforcing a U.S. judgment against us, our executive officers or our directors or asserting U.S. securities laws claims in Israel.

We are incorporated under the laws of the State of Israel. Service of process on us, our Israeli subsidiaries, our directors and officers and the Israeli experts, if any, named in this annual report, substantially all of whom reside outside of the United States, may be difficult to obtain within the United States.

Furthermore, because the majority of our assets and investments, and substantially all of our directors, officers and Israeli external experts are located outside the United States, any judgment obtained in the United States against us or any of them may be difficult to collect within the United States.

We have been informed by our legal counsel in Israel that it may also be difficult to assert U.S. securities laws claims in original actions instituted in Israel. Israeli courts may refuse to hear a claim based on an alleged violation of U.S. securities laws reasoning that Israel is not the most appropriate forum to bring such a claim. In addition, even if an Israeli court agrees to hear a claim, it may determine that Israeli law and not U.S. law is applicable to the claim. There is little binding case law in Israel addressing these matters. If U.S. law is found to be applicable, the content of applicable U.S. law must be proved as a fact, which can be a time-consuming and costly process. Certain matters of procedure will also be governed by Israeli law.

Subject to specified time limitations and legal procedures, under the rules of private international law currently prevailing in Israel, Israeli courts may enforce a U.S. judgment in a civil matter, including a judgment based upon the civil liability provisions of the U.S. securities laws, as well as a monetary or compensatory judgment in a non-civil matter, provided that the following key conditions are met:

- subject to limited exceptions, the judgment is final and non-appealable;
- the judgment was given by a court competent under the laws of the state of the court and is otherwise enforceable in such state;
- the judgment was rendered by a court competent under the rules of private international law applicable in Israel;

- the laws of the state in which the judgment was given provide for the enforcement of judgments of Israeli courts;
- adequate service of process has been effected and the defendant has had a reasonable opportunity to present his arguments and evidence;
- the judgment and its enforcement are not contrary to the law, public policy, security or sovereignty of the State of Israel;
- the judgment was not obtained by fraud and does not conflict with any other valid judgment in the same matter between the same parties; and
- an action between the same parties in the same matter was not pending in any Israeli court at the time the lawsuit was instituted in the U.S. court.

The tax benefits available to us for activities in Israel require us to meet several conditions and may be terminated or reduced in the future, which would increase our costs and taxes.

We have benefited and currently benefit from a variety of Israeli government programs and tax benefits with regards to our operations in Israel, that generally carry conditions that we must meet in order to be eligible to obtain any benefit. Our tax expenses and the resulting effective tax rate reflected in our financial statements may increase over time as a result of changes in corporate income tax rates, other changes in the tax laws of the countries in which we operate, non-deductible expenses, loss and timing differences, or changes in the mix of countries, where we generate profit.

If we fail to meet the conditions upon which certain favorable tax treatment is based, we would not be able to claim future tax benefits and could be required to refund tax benefits already received. Any of the following could have a material effect on our overall effective tax rate:

- we may be unable to meet the requirements for continuing to qualify for some programs;
- these programs and tax benefits may be unavailable at their current levels; or
- we may be required to refund previously recognized tax benefits if we are found to be in violation of the stipulated conditions.

Additional details are provided in "Item 5 – Operating and Financial Review and Products" under the caption "Taxes on income," in "Item 10 – Additional Information" under the caption "Israeli taxation, foreign exchange regulation and investment programs" and in note 10 to our Financial Statements.

If we are characterized as a passive foreign investment company, our U.S. shareholders may suffer adverse tax consequences.

Non-U.S. corporations generally may be characterized as a passive foreign investment company ("PFIC") for any taxable year, if, after applying certain look through rules, either (1) 75% or more of such company’s gross income is passive income, or (2) at least 50% of the average value of all such company’s assets (determined on a quarterly basis) are held for the production of, or produce, passive income.

If we are characterized as a PFIC, our U.S. shareholders may suffer adverse tax consequences, including having gains realized on the sale of our ordinary shares taxed at ordinary income rates, rather than capital gain rates. Similar rules apply to distributions that are "excess distributions." In addition, both gains upon disposition and amounts received as excess distributions could be subject to an additional interest charge. A determination that we are a PFIC could also have an adverse effect on the price and marketability of our ordinary shares.

We believe that in 2015 we were not a PFIC. Whether we are a PFIC is based upon certain factual matters such as the valuation of our assets. In calculating the value of our assets, we value our total assets, in part, based on our total market capitalization. We believe this valuation approach is reasonable. There is no assurance whether the IRS will challenge our valuations. If the IRS were to successfully challenge such valuations, we may potentially be classified as a PFIC for the 2015 taxable year or prior taxable years. Furthermore, there can be no assurance that we will not become a PFIC in the future. See a discussion of our PFIC status in Item 10.E under "U.S. Federal Income Tax Considerations – Passive Foreign Investment Company Considerations."

Risks Related to our Ordinary Shares

Future sales of our ordinary shares could reduce our stock price.

At the closing of the ClientConnect Acquisition on January 2, 2014, we issued 54.75 million of our ordinary shares to ClientConnect's shareholders. The ordinary shares were issued pursuant to an exception from registration under the Securities Act and are not subject to any resale restrictions under U.S. law, except for the volume limitations under Rule 144 applicable to our affiliates. Since January 2, 2016, the resale of such ordinary shares is no longer subject to any contractual lock-up restrictions.

As of March 1, 2016, there were outstanding an aggregate of 9,687,029 RSUs and options to purchase our ordinary shares. As these securities vest, the holders thereof could sell the underlying shares without restrictions, except for the volume limitations under Rule 144 applicable to our affiliates.

As part of the consideration for the acquisition of Grow Mobile, we issued 600,100 ordinary shares in 2014, and 342,329 ordinary shares in 2015, to the security holders of Grow Mobile. Such shares generally will become freely tradable under U.S. law six months following their respective issuance. Additional share issuances due to the aforesaid acquisition are expected during 2016.

On February 10, 2015, as part of the consideration for the acquisition of Make Me Reach, we issued 1,437,510 ordinary shares to the security holders of Make Me Reach and additional 18,998 ordinary shares to certain employees. In the subsequent 12 months, we issued to certain former Make Me Reach security holders and to certain employees an additional 288,478 in ordinary shares. Such shares are generally not subject to any resale restrictions under U.S. law.

Pursuant to a registration rights undertaking described in Item 10.C "Material Contracts— J.P. Morgan Registration Rights Agreement," we expect to complete, in the upcoming months, the registration with the Securities and Exchange Commission of 4,436,898 of our ordinary shares, which may be resold by the holders thereof from time to time.

Finally, our Series L Bonds are convertible into an aggregate of approximately 4.3 million ordinary shares, at a conversion price of ILS 33.605 per share (approximately $8.61 per share as of December 31, 2015). These shares were issued pursuant to an exception from registration under the Securities Act and will not be subject to any resale restrictions under U.S. law, except for the volume limitations under Rule 144 applicable to our affiliates.

Sales by shareholders of substantial amounts of our ordinary shares, or the perception that these sales may occur in the future, could materially and adversely affect the market price of our ordinary shares. Furthermore, the market price of our ordinary shares could drop significantly if our executive officers, directors, or certain large shareholders sell their shares, or are perceived by the market as intending to sell them.

We do not intend to pay cash dividends.

Although we have paid cash dividends in the past, our current policy is to retain future earnings, if any, for funding growth. If we do not pay dividends, long term holders of our stock will generate a return on their investment only if our stock price appreciates between the date of purchase and the date of sale of our shares.

See "Item 8.A Consolidated Statements and Other Financial Information — Policy on Dividend Distribution" for additional information regarding the payment of dividends.

Several shareholders may be able to control us.

As a result of the ClientConnect Acquisition, several shareholders of Conduit became significant shareholders of Perion, including three shareholders that each beneficially own more than 10% of our outstanding shares. One of these shareholders is currently a member of our board of directors. See Item 7.A for more information. To our knowledge, these shareholders are not party to a voting agreement with respect to our shares. However, should they decide to act together, they may have the power to control the outcome of matters submitted for the vote of shareholders. In addition, such share ownership may make certain transactions more difficult and result in delaying or preventing a change in control of us unless approved by them.

We are subject to ongoing costs and risks associated with complying with extensive corporate governance and disclosure requirements.

As an Israeli public company, we incur significant legal, accounting and other expenses. We incur costs associated with our public company reporting requirements as well as costs associated with corporate governance and public disclosure requirements, including requirements under the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the Listing Rules of the NASDAQ Stock Market, regulations of the SEC, the provisions of the Israeli Securities Law that apply to dual listed companies (companies that are listed on the Tel Aviv Stock Exchange ("TASE") and another recognized stock exchange located outside of Israel) and the provisions of the Israeli Companies Law 5759-1999 (the "Companies Law") that apply to us. For example, as a public company, we have created additional board committees and are required to have at least two external directors, pursuant to the Companies Law. We have also contracted an internal auditor and a consultant for implementation of and compliance with the requirements under the Sarbanes-Oxley Act. Section 404 of the Sarbanes-Oxley Act requires an annual assessment by our management of our internal control over financial reporting of the effectiveness of these controls as of year-end. In connection with our efforts to comply with Section 404 and the other applicable provisions of the Sarbanes-Oxley Act, our management and other personnel devote a substantial amount of time, and we have hired, and may need to hire, additional accounting and financial staff to assure that we comply with these requirements. The additional management attention and costs relating to compliance with the foregoing requirements could materially and adversely affect our financial results. See "Item 5 Operating and Financial Review and Prospects — Overview — General and Administrative Expenses" for a discussion of our increased expenses as a result of being a public company.

If we were not considered a foreign private issuer status under U.S. federal securities laws, we would incur additional expenses associated with compliance with the U.S. securities laws applicable to U.S. domestic issuers.

We are a foreign private issuer, as such term is defined under U.S. federal securities laws, and, therefore, we are not required to comply with all of the periodic disclosure and current reporting requirements applicable to U.S. domestic issuers. If we did not have this status, we would be required to comply with the reporting and other requirements applicable to U.S. domestic issuers, which are more detailed and extensive than the requirements for foreign private issuers. The regulatory and compliance costs to us under U.S. securities laws, if we are required to comply with the reporting requirements applicable to a U.S. domestic issuer, may be significantly higher than the cost we currently incur as a foreign private issuer.

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

We are incorporated under Israeli law. The rights and responsibilities of holders of our ordinary shares are governed by our memorandum of association, articles of association and by Israeli law. These rights and responsibilities differ in some respects from the rights and responsibilities of shareholders in typical U.S. corporations. In particular, a shareholder of an Israeli company has a duty to act in good faith in exercising his or her rights and fulfilling his or her obligations toward the company and other shareholders and to refrain from abusing his or her power in the company, including, among other things, in voting at the general meeting of shareholders on certain matters. Israeli law provides that these duties are applicable in shareholder votes at the general meeting with respect to, among other things, amendments to a company’s articles of association, increases in a company’s authorized share capital, mergers and actions and transactions involving interests of officers, directors or other interested parties which require shareholders’ approval. There is little case law available to assist in understanding the implications of these provisions that govern shareholder behavior.

As a foreign private issuer whose shares are listed on NASDAQ, we follow certain home country corporate governance practices instead of certain NASDAQ requirements.

As a foreign private issuer whose shares are listed on NASDAQ, we are permitted to follow certain home country corporate governance practices instead of certain requirements contained in the NASDAQ listing rules. We follow the requirements of the Companies Law in Israel, rather than comply with the NASDAQ requirements, in certain matters, including with respect to the quorum for shareholder meetings, sending annual reports to shareholders, and shareholder approval with respect to certain issuances of securities. See "Item 16.G – Corporate Governance" in this Annual Report for a more complete discussion of the NASDAQ Listing Rules and the home country practices we follow. As a foreign private issuer listed on NASDAQ, we may also elect in the future to follow home country practice with regard to other matters as well. Accordingly, our shareholders may not be afforded the same protection as provided under NASDAQ's corporate governance rules to shareholders of U.S. domestic companies.

Provisions of our articles of association and Israeli law may delay, prevent or make an acquisition of our Company difficult, which could prevent a change of control and, therefore, depress the price of our shares.

Israeli corporate law regulates mergers, requires tender offers for acquisitions of shares above specified thresholds, requires special approvals for transactions involving directors, officers or significant shareholders and regulates other matters that may be relevant to these types of transactions. In addition, our articles of association contain provisions that may make it more difficult to acquire our Company, such as provisions establishing a staggered board. Furthermore, Israeli tax considerations may make potential transactions unappealing to us or to some of our shareholders. See "Item 10.B Memorandum and Articles of Association — Approval of Related Party Transactions" and "Item 10.E – Taxation — Israeli Taxation" for additional discussion about some anti-takeover effects of Israeli law.

These provisions of Israeli law may delay, prevent or make difficult an acquisition of our Company, which could prevent a change of control and therefore depress the price of our shares.

Our share price has fluctuated significantly and could continue to fluctuate significantly.

The market price for our ordinary shares, as well as the prices of shares of other Internet companies, has been volatile. Between February 2014 and March 2016, our share price has fluctuated from a high of $14.33 to a low of $1.98. The following factors may cause significant fluctuations in the market price of our ordinary shares:

- fluctuations in our quarterly revenues and earnings or those of our competitors;
- pending sales into the market due to the release of contractual and tax lock ups;
- shortfalls in our operating results compared to levels forecast by us or securities analysts;
- changes in regulations or in policies of search engine companies or other industry conditions;
- mergers and acquisitions by us or our competitors;
- technological innovations;
- the introduction of new products;
- the conditions of the securities markets, particularly in the Internet and Israeli sectors; and
- political, economic and other developments in Israel and worldwide.

In addition, share prices of many technology companies fluctuate significantly for reasons that may be unrelated or disproportionate to operating results. The factors discussed above may depress or cause volatility of our share price, regardless of our actual operating results.

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

Our ordinary shares are traded on the NASDAQ Global Select Market and on the TASE. Trading in our ordinary shares on these markets is effected in different currencies (U.S. dollars on NASDAQ and ILS on the TASE) and at different times (resulting from different time zones, different trading days and different public holidays in the United States and Israel). Consequently, the trading prices of our ordinary shares on these two markets often differ, resulting from the factors described above as well as differences in exchange rates and from political events and economic conditions in the United States and Israel. Any decrease in the trading price of our ordinary shares on one of these markets could cause a decrease in the trading price of our ordinary shares on the other market.

ITEM 4. INFORMATION ON THE COMPANY

A. HISTORY AND DEVELOPMENT OF THE COMPANY

Our History

We were incorporated in the State of Israel in November 1999 under the name Verticon Ltd., changed our name to IncrediMail Ltd. in November 2000 and in November 2011 changed our name to Perion Network Ltd.. We operate under the laws of the State of Israel. Our headquarters are located at 26 HaRokmim Street, Holon 5885849, Israel. Our phone number is 972-73-3981000. Our website address is www.perion.com. The information on our website does not constitute a part of this annual report. Our agent for service in the United States is Intercept Interactive Inc. d/b/a Undertone, which is located at 340 Madison Avenue, 8th Floor, New York, NY 10173-0899.

We completed the initial public offering of our ordinary shares in the United States on February 3, 2006.

Since November 20, 2007, our ordinary shares are also traded on the Tel Aviv Stock Exchange.

On August 31, 2011, we completed the purchase of Smilebox Inc., a Washington corporation.

On November 30, 2012, we completed the purchase of SweetIM Ltd., a Belize company that wholly owns SweetIM Technologies Ltd., an Israeli company. Both companies were dissolved during 2015.

On January 2, 2014, we completed the purchase of ClientConnect Ltd., an Israeli company that wholly owns ClientConnect Inc., a Delaware corporation, and ClientConnect B.V., a Netherlands company.

On July 15, 2014, we completed the purchase of Grow Mobile, Inc., a Delaware corporation.

On February 10, 2015, we completed the purchase of Make Me Reach SAS, a French company.

On November 30, 2015, we completed the purchase of Interactive Holding Corp., a Delaware corporation, and its subsidiaries (collectively referred to as "Undertone"). See "Recent Developments".

Principal Capital Expenditures

In 2013, capital expenditures consisted of $1.9 million for investments mainly in computer hardware, software and furnishings. In 2014, capital expenditures consisted of $10.9 million for leasehold improvements and furnishing related to our new headquarters office in Holon, as well as investments in computer hardware and software. In 2015, capital expenditures consisted of $2.0 million, mainly from the acquisition of computer systems and software applications.

In 2016, we expect to continue our growth strategy of acquiring products and businesses, in addition to organic capital investments. Our organic investments are expected to consist primarily of acquiring computer hardware, software, peripheral equipment and installation, all of which are expected to be financed by our existing resources. We currently expect that outside of possible acquisitions of products and companies, our capital expenditures will be approximately at the same level in 2016. To date, we have financed our general capital expenditures with cash generated from operations and debt and equity financings. To the extent we acquire new products and businesses, these acquisitions may be financed by any of, or a combination of, cash generated from operations, or issuances of equity or debt securities.

Recent Developments

Undertone Acquisition

On November 30, 2015 (“Closing date”), we completed the purchase of Interactive Holding Corp., a Delaware corporation, and its subsidiaries (collectively referred to as "Undertone") for a purchase price of $133.1 million, comprised of $89.1 million paid in cash, $16.0 million was retained as a holdback to cover potential claims until May 2017, for which a liability of $14.4 million was recorded at fair value. $3.0 million will be paid in installments over the period ending September 2017, for which a liability of $2.8 million was recorded at fair value. $20.0 million, deferred consideration payment, bearing 10% annual interest, to be paid in November 2020, for which a liability of $22.0 million was recorded at fair value. As part of the purchase price, an amount of $1.2 million was paid on January 2016, and an amount of $2.1 million will be paid during 2016. In addition, an amount of approximately $1.5 million is expected to be paid as a working capital adjustment in cash. Concurrently with the closing, Undertone entered into a new secured credit agreement with its existing lenders for $50.0 million, due in quarterly installments from March 2016 to November 2019. On March 4, 2016, Undertone entered into an amendment to the secured credit agreement. The amendment to the credit agreement adds a $10.0 million revolving loan facility (which includes a $3.0 million swing line loan commitment and $3.0 million letter of credit commitment). Additionally, the amendment postpones the commencement date of a few of Undertone’s undertaking and covenants, and increases Undertone’s ability to invest in some of its subsidiaries.

The credit agreement is not guaranteed by Perion, but it is secured by a pledge on Perion's indemnification rights under the Undertone acquisition agreement. In connection with the acquisition, we granted options to purchase 3,289,000 ordinary shares to employees of Undertone and a warrant to purchase 200,000 ordinary shares to a third-party vendor that provides development services to Undertone.

Following the closing of the Undertone acquisition, Corey Ferengul, CEO of Undertone, joined Perion's executive management team. In addition, Robert Schwartz, the Vice President of Business Development of Undertone, became our Chief Strategy Officer, in place of Michael Waxman-Lenz, who became the Chief Financial Officer of Undertone.

Private Placement

On December 3, 2015, we completed a private placement of 4,436,898 ordinary shares for gross proceeds of $10.125 million pursuant to a securities purchase agreement with J.P. Morgan Investment Management Inc., as investment advisor to the National Council for Social Security Fund and 522 Fifth Avenue Fund L.P. (collectively referred to as the "Investors"). The purchase price per share was $2.282, which was the average closing price of an ordinary share on the Nasdaq Global Select Market for the 30 trading days ending on December 1, 2015. In the event that on September 1, 2016 the 15-trading day weighted average price of an ordinary share is less than $2.624, the per share purchase price will be adjusted downward 1% for each whole 1% that it is lower than such price, up to a maximum adjustment of 15%, and we will issue to the Investors such number of additional ordinary shares as is necessary so that each of the Investors will receive such number of ordinary shares in total that it would have purchased at the closing of the private placement at such lower price.

In connection with the private placement, we entered into a registration rights agreement with the Investors pursuant to which we granted to the Investors certain registration rights related to the ordinary shares issued in the private placement. We were required to file this registration statement on Form F-3 for the resale of the ordinary shares within 30 days following the closing of the private placement (such Form F-3 was filed on December 29, 2015) and to use our reasonable efforts to cause such registration statement to be declared effective within 120 days following the closing of the private placement. We expect to complete, in the upcoming months, the registration of said shares. We may incur liquidated damages if we do not meet our registration obligations. We also agreed to other customary obligations regarding registration, including indemnification and maintenance of the applicable registration statement.

Bank Leumi credit facility

On November 22, 2015, we borrowed $19.9 million under a new credit facility from LeumiTech, the technology banking arm of Bank Leumi le-Israel B.M. The credit facility is secured by a lien on the accounts receivable of ClientConnect Ltd., an Israeli subsidiary, from its current and future business clients and is guaranteed by Perion. The credit facility matures in November 2016. As of December 31, 2015, the unpaid balance of the credit facility was $13.0 million.

Make Me Reach Acquisition

On February 10, 2015, we consummated the acquisition of 100% of the shares of Make Me Reach SAS, a private French Company headquartered in Paris, France ("MMR"). The Purchase price was $6.4 million in cash and $4.4 million in the form of 1,437,510 ordinary shares. In the subsequent 12 months, we were required to pay additional $0.4 million in cash and issue an additional $0.4 million in ordinary shares to the founder of MMR, subject to retention conditions, which were paid in full in February 2016. In addition, certain key employees of MMR were entitled to retention payments of which $144,397 in cash and $62,883 in the form of 18,998 ordinary shares which were paid upon closing. An additional, $266,394 in cash and $208,169 in the form of 92,348 ordinary shares that were subject to retention conditions, were paid to such key employees in February 2016. Make Me Reach has become part of Perion's focus on mobile marketing which was created to address the advertising needs of mobile app developers, and enables Perion to provide a more omprehensive technical and platform solution for app developers. Make Me Reach is a Facebook Marketing Partner, Instagram partner and Twitter Official Partner (TOP).

B. BUSINESS OVERVIEW

General

Perion is a global technology company that delivers high-quality advertising solutions to brands and publishers. Perion is committed to providing outstanding execution, from high-impact ad formats to branded search and a unified social and mobile programmatic platform.

Overview

While in 2015, we generated most of our revenues from search-based monetization solutions, we expect to devote most of our future growth efforts towards the advertising market. Our Undertone business is an advertising technology business focused on delivering standout brand experiences. We do so by developing digital advertising creatively designed to capture consumer attention and drive engagement, delivering these ads across a hand-picked portfolio of websites and mobile applications. With the Undertone acquisition, we are now able to deliver standard and proprietary display, mobile, video, and high impact ad formats, leveraging proprietary technology to ensure that ads are delivered to the right audience, at the right time, and across the right websites and mobile applications.

Our ad creation platform allows us to bring sophisticated high impact formats to market quickly and to streamline production of client campaigns. By using HTML5 and a responsive design, we can deliver a seamless creative experience across screens. This combination of creative capabilities and proprietary high impact cross-screen and mobile-only advertising formats enables us to differentiate our offering in the market. Customers can transact with us using traditional insertion order methods or programmatically (through computerized solutions). Our computerized capabilities enable customers to increase automation and efficiency while maintaining access to all of our formats. Our customers receive dedicated support throughout the full campaign cycle, including planning, client solutions, campaign management, performance and insights. We have longstanding relationships with major brands and advertising agencies across the United States and Europe.

Our proprietary social and mobile marketing platform offers a single dashboard for marketers that makes mobile media buying more efficient across ad networks, exchanges and direct publishers. Advertising networks, agencies and mobile application developers looking to promote their applications often struggle with inefficient and disorganized practices of media buying, campaign measurement and optimization. Our advertising platform simplifies the complexity of mobile app advertising, enabling companies to rapidly acquire new customers, increase user engagement and maximize revenue. It streamlines the process of buying ads across multiple channels, with an integrated solution suite that delivers sophisticated reports for quick results analysis, performance optimization and an increased return on investment.

Our social and mobile marketing platform was created to resolve the mobile advertising challenges by offering centralized, programmatic media buying across multiple traffic sources and bringing order to mobile marketing efforts. With our mobile marketing platform, customers can acquire users from the industry's top-performing traffic sources including Google, Facebook, Twitter and Instagram, and can access their performance data and revenue information in one place, enabling them to make better, quicker and more intelligent decisions and helping mobile application advertisers improve user acquisition, maximize their return on investment and ultimately meet their business goals.. The platform allows advertisers to control their marketing spends, planning and strategy in-house and utilize the technical tool to create better operational marketing efficiencies. The platform provides a mobile marketing distribution technology which is integrated into over 40 ad networks, exchanges and direct publishers and offers full reporting analytics that present data on results from the advertisers' budget spend and post campaign metrics. Following our acquisition of Make Me Reach, this platform includes social capabilities and the ability to serve ads on Facebook, Instagram and Twitter, as well. We offer our customers the opportunity to easily and efficiently increase spend, reduce churn and improve retention through engagement campaigns. Customers also receive ongoing analysis and optimization of their campaigns for increased return on investment and scaling of their key performance indicator goals.

Despite our focus on the advertising market, we still expect to generate significant revenues by providing search-based monetization solutions for our publishers with enhanced analytics capabilities to track and monitor their business performance. From the end user perspective, we enable users to configure their browser settings through the search setting dialogue so they are powered by our search-engine partners. Publishers can choose to implement our solution into or with their products and services (mobile and desktop) and to monetize their users' search assets.

Our search related products enable end users to, among other things, replace their search asset(s) with ours, where users may conduct searches or follow links to advertisements that advertisers may display. They also allow publishers the ability to set up syndicated searches on their individual websites and to monetize their users' other search assets. In addition, we are still generating a small portion of our revenues through our toolbar platform, which allows publishers to create, implement and distribute web browser toolbars, as well as through our consumer products; IncrediMail a unified messaging application that enables consumers to manage multiple email accounts in one place with an easy-to-use interface and extensive personalization features and Smilebox a leading photo sharing and social expression product.

In the past, Perion developed and acquired a number of downloadable consumer software products. Currently these products account for only 8% of our revenues and are profitable. Our consumer products are currently available in seven languages in addition to English. Prices and license fees for our premium products range between $5 and $50, varying based on market, length of license period and whether the products are offered together. Our legacy product line crosses several vertical markets and consists of a few products, all of which may be downloaded over the Internet. We previously announced the beta launch of Violet, a do-it-yourself wedding design tool, yet the development of this product was abandoned during the fourth quarter of 2015.

Markets

In general, we work with advertising agencies, advertisers, publishers and search partners. While we work with some advertisers directly, our primary advertising customers are advertising agencies, who are paid by brand advertisers to develop their media plans. We work with these advertisers and agencies to plan, design, deliver, manage, and measure their digital advertising campaigns.

We contract for digital media with publishers, including software developers that own online media content such as mobile apps or web pages, as well as aggregators of such media. We focus on publishers and digital businesses, providing effective distribution, monetization, and optimization solutions. These developers and digital businesses, in turn, target consumers. Our experience and success as developers allow us to best understand the needs of publishers and to enable other developers to succeed. Honed through our own products, our technology-based solutions platform provides us with the opportunity to allow publishers to focus on what they do best, creating great digital content and applications or providing consumer content. Our team brings decades of experience, operating and investing in diversified digitally-enabled businesses, and we continue to innovate and create value for publishers. We keep the publishers' end users focused and on-site for longer through targeted search results while building the perfect native ad experience.

We generally do not enter into long term contracts with advertising customers. We charge customers varied rates, based on ad format, campaign complexity, and creative requirements. We then engage in a consultative sales process to determine the best plan for that customer. Our customers purchase our products based on impressions served for each ad type, either using traditional insertion orders, or alternatively, programmatically, with options for managed service or self-service. Programmatic customers have access to the same ad formats as traditional customers but can leverage programmatic direct delivery in order to increase automation and efficiency. All our advertising customers receive support throughout the campaign cycle, with service and support teams including planning, client solutions, campaign management, performance, and insights.

Our analytics platform enables app developers to manage their distribution and monetization activities and better optimize their offerings. Most app developers are small businesses without analytical capabilities or the required funds to improve customer "funnel" conversion, create the necessary systems for tracking revenue per user, or implement traffic acquisition with positive return on investment. Through our analytics platform, we provide our clients with real-time analytics, custom reports, and advanced optimization and editing tools, which together act as a springboard to higher conversions and increased return on investment.

We have generated the majority of our revenues from services agreements with our search partners. Search-generated revenues accounted for 85%, 85% and 78% of our revenues in 2013, 2014 and 2015, respectively. Through our search technology, including syndication, we offer end users the ability to search the Internet via easily embedded search boxes powered by premium search companies, including Microsoft, Google and Yahoo, and depending on the search partner powering the search and the location in which the search was initiated, we receive either a fixed price, pay-per-search fee or portion of the revenues generated by these companies through the search process.

We are currently one of the largest redistributors of search monetization in the United States and have agreements with all the major search engine companies. Our agreement with Microsoft, our largest search engine partner, is for a three-year term, from January 1, 2015 through December 31, 2017, and upon mutual agreement, the agreement may be renewed for an additional 12-month period, until the end of 2018. In the past, the fees payable by Microsoft under the Microsoft Agreement were payable based on either a fixed price, pay-per-search basis that is tied to the number of searches conducted by end users, or in certain instances on a share of the revenue generated as a result of searches conducted by end users who utilize the search engine that appears on toolbars created by publishers through our platform or through other search related products. The fees payable by Microsoft had varied annually over the term of the agreement, decreasing significantly in 2013 and 2014, as compared to 2011 and 2012. As of 2015, the fees payable by Microsoft under the Microsoft 2015 Agreement are payable based on a share of the revenue generated as a result of searches conducted by end users who utilize the search engine that appears on our product, the publisher's product, search assets and websites.

While most of our search-generated revenues are based on our Microsoft relationship, nonetheless, in line with our strategy for diversification, we were successful in engaging and maintaining positive relationships with other search providers as well. We entered into an agreement with Google, effective as of July 1, 2015 and which will expire on April 30, 2017. We also have an agreement with Yahoo, which is in effect until July 18, 2017. In addition, on April 29, 2013, we signed a three-year agreement with Ask. This agreement was amended on several occasions during 2014, and is in effect until March 31, 2016.

We also offer advertisers the ability to monetize their web properties with display advertising through our ad network. This offering is predominantly to our search revenue affiliate network and reliant on the acceptance of our resetting the home page of the users of their products. These revenues are therefore highly correlated with our revenues from search.

Strategy

Our goal through our advertising high quality offering is to be the leader in advertising solutions that cut through the digital clutter and deliver messages that stand out to consumers, through innovative "high impact" ad units. We define high impact as advertising that has a great effect on consumers, such as non-standard rich media ad units. To address all of our customers' digital advertising needs with a comprehensive solution, in addition to high impact ad units, we also offer standard and non-standard ad formats in display, video, and mobile.

We view our advertising offering to be complementary with our long standing search monetization offerings which yield steady revenues, providing high profitability and healthy cash flow.

The key components to our advertising offering are:

Cross-Screen Ad Units

High impact advertising requires creative ad units that capture consumer attention, as well as functionality that drives consumer engagement. We have an in-house creative team, PIXL Studios, which works with clients to design, build, and execute custom high impact ad units. We currently offer 12 different high impact formats, each with a suite of interactive functionality, that can be deployed across desktop, mobile and tablet ("cross-screen"). Eight of these are our proprietary formats. We use HTML5 and responsive design to detect device type and screen size in order to deliver a seamless advertising experience across screens. Other proprietary formats, such as UMotion and Tapestry, leverage mobile-native functionality such as tap, swipe, shake, and tilt in order to deliver an engaging consumer experience.

Quality Media

In order to be effective, advertisements must be delivered in media environments that reach the right audiences. We hand-picked a broad portfolio of premium media properties, that we rigorously vetted using quantitative and qualitative criteria. Qualified publishers are then put through a certification process to ensure proper delivery of our high impact formats. Approved publishers are then placed on Undertone's "Green List" and are subsequently continuously monitored for inappropriate content and non-human traffic.

Proprietary Technology

Our proprietary technology supports our mission of delivering standout brand experiences for advertisers:

- Our HTML5-based ad creation platform allows for the rapid creation of high impact creative ads and the development of new high impact ad formats.
- Our computerized platform allows our clients to increase efficiency and campaign flexibility by leveraging programmatic buying and selling.
- Our Undertone Data Management System (UDMS) utilizes data-driven analysis and insights in order to deliver relevant ads to consumers. UDMS is integrated with over 70 different data providers and integrate with first-party and third party targeting data.

Service and Support

We provide our clients with service and support before, during, and after the campaign cycle. Our sales, client solutions, and planning teams utilize a consultative, solutions-driven approach in order to develop the appropriate campaign strategy for each individual client. Our campaign management and performance teams oversee all aspects of client campaigns in order to ensure that they meet the clients' objectives. Finally, our research and insights team provides clients with campaign results, key performance metrics, and critical analysis in order to provide useful feedback to clients.

Innovation

To maintain our edge and unique offering, we must continue to develop new solutions and services that foster consumer engagement. To accomplish this, we have in-house research and development team, known as Future Proof Labs. Future Proof Labs researches, prototypes, and tests emerging technology in order to determine how best to reach and influence consumers. The team also conducts consumer research studies to determine the potential effectiveness of innovations.

Future Proof Labs focuses on three types of innovations:

- Near-term innovations, which may be brought to market in less than a year and typically represent advances to existing capabilities,
- Mid-term innovations, which may be brought to market in one to two years and typically represent new concepts, and
- Long-term innovations, which have an uncertain time horizon, but that we believe may have a material impact on advertising.

With the solutions we provide to our publisher partners, in the turbulent marketplace we currently act in, we intend to differentiate ourselves by providing solutions with three major advantages:

- provide a user friendly monetization solution, that enables them to engage users, by providing quality software, while creating monetization through, user friendly, non-intrusive and transparent means;

- deliver superior analytics and optimization tools enabling the software developer to extend its reach and increase monetization with a positive return on investment; and

- offer creative and flexible monetization models with scalable risk and reward, suited to their business.

Publishers face increasing challenges monetizing their offerings. This is partly because most consumers find that the free version of a given software product or content adequately meets their needs. Accordingly, most app developers or web content publishers do not earn sufficient revenue to sustain a standalone business.

We provide a broad spectrum of solutions for our clients' monetization challenges. Through a sophisticated, data driven recommendation engine, we assist publishers to create new revenue streams and advertisers to hit targeted audiences- all while increasing site performance. We offer clients the ability to easily incorporate targeted ads into the download and installation process of their products as well as tailored and engaging advertising solutions for web content publishers, thereby further increasing monetization opportunities. The engine allows for funnel monetization opportunities on post-install and uninstall pages, as well. Altogether, the engine provides end users with more relevant offers, enhancing their experience by delivering relevant content and optimizing conversion for both advertisers and publishers, ultimately increasing end user satisfaction and monetization.

Through our search agreements with the world's leading search providers we enable our clients to monetize their search assets. Publishers and developers may incorporate a search box, generic or tailored to the publisher’s offering that is powered by our search providers, who in turn pay us fees for searches emanating from such search boxes. Depending on the payment model adopted, we pay our clients a fee on a pay-per-search or revenue sharing basis for search activity emanating from the incorporated search boxes.

Products under Development

Our research and development activities are primarily conducted internally, focusing on the development of new high impact ad formats and platform-based solutions that will offer developers (i) stand out brand experience (ii) effective distribution tools, (iii) increased monetization capabilities through content, and (iv) enhanced optimization via powerful, reliable, and easy-to-use analytics. Additionally, we focus our research and development efforts on developing new products and improving existing products through software updates and upgraded features. Our Research & Development department is divided into groups based on scientific disciplines and types of applications and products.

Breakdown of Revenues

Our search monetization solutions, advertising platforms and other, are distributed and sold throughout the world in more than 100 countries. The following table shows the revenues, presented in our statement of operations, generated by territory in the years ended December 31, 2013, 2014 and 2015. As explained in Item 5.A, as a result of the ClientConnect Acquisition, which closed on January 2, 2014, our 2014 and 2015 financial statements include ClientConnect's comparative numbers for 2013.

	2013		2014		2015	
	Search Revenue	Advertising and Other	Search Revenue	Advertising and Other	Search Revenue	Advertising and Other
Tier 1 – North America	70%	78%	78%	73%	78%	80%
Tier 2 – Europe	23%	20%	17%	18%	19%	17%
Tier 3 - Other	7%	2%	5%	9%	3%	3%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Prior to the ClientConnect Acquisition, we divided our revenue categories or sales regions somewhat differently. According to that method, in 2013, legacy search-generated including related advertising revenues and legacy product revenues in North America represented 35% and 86% of revenues, respectively, in Europe represented 47% and 10% of revenues, respectively, and in the rest of the world represented 18% and 4% of revenues, respectively.

Intellectual Property

Although we have a number of patents, copyrights, trademarks and trade secrets and confidentiality and invention assignment agreements to protect our intellectual property rights, we believe that our competitive advantage depends primarily on our marketing, business development, applications, know-how and ongoing research and development efforts. Accordingly, we believe that the expiration of any of our patents or patent licenses, or the failure of any of our patent applications to result in issued patents, would not be material to our business or financial position.

Part of the components of our software products were developed solely by us. We have licensed certain components of our software from third parties. Except for our agreements regarding anti-spam software and some of our content licenses, most of these licenses entailed a one-time fee or are "freeware." We believe that the components we have licensed are not material to the overall performance of our software and may be replaced without significant difficulty.

We have six issued patents in the United States and one in Israel, as well as several patent applications pending in the United States, Israel and the European Union.

We enter into licensing arrangements with third parties for the use of software components, graphic, sound and multimedia content integrated into our products.

We have registered: (i) "Perion" as a trademark in the United States, Israel and the European Community (a community trademark); (ii) "IncrediMail" as a trademark in the United States, the European Community (a community trademark), China and Israel; (iii) "PhotoJoy" as a trademark in the United States, the European Community (a community trademark) and China; (iv) "Smilebox Teeth Design" in the United States; (v) "Smilebox" in Australia, Canada, China, France, Germany, Korea, United Kingdom and the United States; (vi) "SWEETPACKS" and "SWEETIM" in the United States; (vii) “CodeFuel” in the United States; (viii) "Perion Lightspeed" registered in the European Community (a community trademark); and (IX) "MakeMeReach" as a trademark in the European Community (a community trademark). Trademark applications for GROWMOBILE were filed in the United States and in the European Community (a community trademark).

With the acquisition of Undertone, we also have registered: (1) “Undertone” as a trademark in the United States, the European Union (an international registration), China and Russia; (2) “Intercept Interactive” as a trademark in the United States and the European Union (an international registration); (3) “PageGrabber” as a trademark in the United States and the European Union (an international registration); (4) “PageWrap” as a trademark in the United States and the European Community (a community trademark); (5) “TimeBlock” as a trademark in the United States; (6) “ScreenShift” as a trademark in the United States and the European Community (a community trademark); (7) “Undertone Impact Accelerator” as a trademark in the United States; (8) “PageGrabber X” as a trademark in the United States; (9) “Pixl Studios” as a trademark in the United States; (10) “GreenList” as a trademark in the United States; and (11) Undertone’s stylized square logo as a trademark in the United States.

All employees and consultants are required to execute confidentiality covenants in connection with their employment and consulting relationships with us. These agreements (excluding those with our German and U.K. employees) also contain assignment and waiver provisions relating to the employee's or consultant's rights in respect of inventions. However, there can be no assurance that these arrangements will provide us with adequate protection.

Competition

The markets in which we are active are subject to intense competition. We compete with many other companies offering solutions for online publishers and developers, including search services and other software in conjunction with changing a user's default search settings.

The advertising technology industry is highly competitive. There are a large number of digital media companies and advertising technology companies that offer services similar to those of our Undertone business and that compete for finite advertiser/agency budgets and publisher inventory. There are also a large number of niche companies that are competitive with our Undertone business because they provide a subset of the services that we provide (e.g., mobile in-app ad networks). Some of these companies are larger and have more financial resources than we have, including, AOL, Google, and Facebook. New entrants and companies that do not currently compete with our Undertone business may compete in the future given the relatively low barriers to entry in the industry.

As a major part of our revenues stem from our offering of search properties, we compete with search engine providers themselves such as Google, Microsoft, Yahoo, Ask and others. We also compete with many other companies offering consumer software, albeit totally different software, utilizing the same strategy, to offer their search properties, such as Interactive Corporation, AOL, Blucora and others.

Many of our current and potential competitors have significantly greater financial, research and development, back-end analytical systems, manufacturing, and sales and marketing resources than we have. These competitors could use their greater financial resources to acquire other companies to gain even further enhanced name recognition and market share, as well as to develop new technologies, enhanced systems and analytical capabilities, products or features that could effectively compete with our existing solutions, products and search services. Demand for our solutions, products and search services could be diminished by solutions, products, services and technologies offered by competitors, whether or not their solutions, products, services and technologies are equivalent or superior.

Finally, our ability to attract developers is largely dependent on our ability to pay higher rates to our publishers and developers, our success in creating strong commercial relationships with developers that have successful software, websites or distribution channels, and our ability to differentiate our distribution, monetization, and optimization tools from those of our competitors.

Government Regulation

We are subject to a number of U.S. federal and state and foreign laws and regulations that affect companies conducting business on the Internet. The manner in which existing laws and regulations will be applied to the Internet in general, and how they will relate to our business in particular is unclear. Accordingly, we cannot be certain how existing laws will be interpreted or how they will evolve in areas such as user privacy, data protection, content, use of "cookies," access changes, "net neutrality," pricing, advertising, distribution of "spam," intellectual property, distribution, protection of minors, consumer protection, taxation and online payment services.

For example, we are subject to U.S. federal and state laws regarding copyright infringement, privacy and protection of user data, many of which are subject to regulation by the Federal Trade Commission. These laws include the Digital Millennium Copyright Act, which aims to reduce the liability of online service providers for listing or linking to third-party websites that include materials that infringe copyrights or the rights of others, and other federal laws that restrict online service providers' collection of user information on minors as well as distribution of materials deemed harmful to minors. Many U.S. states, such as California, are adopting statutes that require online service providers to report certain security breaches of personal data and to report to consumers when personal data will be disclosed to direct marketers. There are also a number of legislative proposals pending before the U.S. Congress and various state legislative bodies concerning data protection which could affect us.

Foreign data protection, privacy and other laws and regulations may affect our business, and such laws can be more restrictive than those in the United States. For example, in Israel, privacy laws require that any request for information for use or retention in a database be accompanied by a notice that indicates: whether a person is legally required to disclose such information or that such disclosure is subject to such person's consent; the purpose for which the information is requested; and to whom the information is to be delivered. A breach of privacy under such laws is considered a civil wrong and subject to a significant fines and civil damages. Certain violations of the law are considered criminal offences punishable by imprisonment. In the European Union, similar data protection rules exist and privacy legislation has tightened the restrictions relating to the use of cookies and similar technologies. Subject to some limited exceptions, the storing of information, or the gaining of access to information already stored, in the terminal equipment of a subscriber or user is only allowed on condition that the subscriber or user concerned has given his or her informed consent. Further, the new General Data Protection Regulation, which is expected to take effect in or by 2018, will likely have an even wider territorial in scope and more stringent user consent requirements. Further, it will include stringent operational requirements for companies that process personal data and will contain significant penalties for non-compliance. Also in other relevant subject matters such as cyber security, e-commerce, copyright and cookies new European initiatives have been announced by the European regulators. To further complicate matters in Europe, Member States have some flexibility when implementing European Directives which can lead to diverging national rules.

These regulations result in significant compliance costs and could result in restricting the growth and profitability of our business.

C. ORGANIZATIONAL STRUCTURE

ClientConnect Ltd., our wholly owned Israeli subsidiary, owns all of the outstanding shares of common stock of ClientConnect, Inc., a Delaware corporation, and all of the outstanding ordinary shares of ClientConnect B.V., a Netherlands company.

IncrediMail, Inc., our wholly-owned Delaware subsidiary, owns all of the outstanding shares of common stock of Smilebox Inc., a Washington corporation, all of the outstanding equity of Grow Mobile LLC., a Delaware corporation and all of the outstanding shares of common stock of IncrediTone Inc., our wholly-owned Delaware subsidiary. IncrediTone Inc. owns all of the outstanding shares of common stock of Interactive Holding Corp., a Delaware corporation, which was acquired, together with its subsidiaries, in November 2015.

Make Me Reach SAS, our wholly owned French subsidiary, was acquired in February 2015.

D. PROPERTY, PLANTS AND EQUIPMENT

Our headquarters are located in Holon, Israel. We lease approximately 101,500 square feet, out of which we sublease approximately 33,820 square feet. The lease expires in 2024, with an option to extend for two additional two-year periods. Annual cost is approximately $1.7 million.

We lease approximately 81,850 square feet in various locations in the United States. Our primary locations, and their principal terms, are as follows:

	Square feet	Annual Base Rent for 2016 in US$ in millions	Lease expires on (not including extension options)
New York, New York	51,182	$ 2,511	2021
San Francisco, California	10,674	856	2022
Redmond, Washington	8,300	$ 193	2021
Chicago, Illinois	7,943	$ 148	2018

Outside of Israel and the United States, we lease offices in various locations throughout Europe. Our primary locations, and their principal terms, are as follows:

	Square feet	Annual Base Rent for 2016 in US$ in millions	Lease expires on (not including extension options)
London, England	4,252	$ 252	2019
Paris, France	5,000	$ 183	2017

We believe that our current facilities are more than adequate to meet our current needs, and we believe that suitable additional space will be available as needed to accommodate ongoing operations and any such growth.

We own approximately 900 servers located in Israel, Europe and the United States. We also rent the services of approximately 520 additional servers located around the world, approximately 390 of which are rented mainly through Amazon Web Services and approximately 130 of which are rented through Rackspace Hosting located in the United States. Our servers include mainly web servers, application servers, data collection servers, data storage servers, data processing servers, mail servers and database servers. Bezeq and Cellcom Israel Ltd. provide our Internet and related telecommunications services in Israel, including hosting and co-location facilities, needed to operate our websites. Bezeq is Israel's largest provider of such services and is a member of Bezeq Group, Israel's incumbent national telecommunications provider. In the United States CenturyLink, and in Europe Evoswitch, are our co-location providers. Our Internet Service Providers ("ISPs") are CenturyLink, NTT Communication, Level3 Communication and Colt. Bezeq and Cellcom are the two largest providers of such services in Israel. All other ISPs are tier-1 worldwide providers in this area. For our Undertone business, (1) Rackspace Hosting provides our Internet and related telecommunications services in Dallas, Texas and Virginia data centers in the United States, and (2) Internap provides Internet and related telecommunication services to our co-located data centers in Europe and the United States which are needed to operate our websites. Rackspace Hosting, Amazon Web Services and Internap are some of the largest providers of such services in the United States. All co-location and telecommunication services are provided through standard purchase orders and invoices. We add servers and expand our systems located at their facilities as our operations require. We believe there are many alternative providers of these services both within and outside of Israel.

ITEM 4.A UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion of our financial condition and results of operations should be read in conjunction with our Financial Statements. In addition to historical financial information, the following discussion and analysis contains forward looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Exchange Act, including, without limitation, statements regarding the Company's expectations, beliefs, intentions, or future strategies that are signified by the words "expects," "anticipates," "intends," "believes," or similar language. These forward looking statements involve risks, uncertainties and assumptions. Our actual results and timing of selected events may differ materially from those anticipated in these forward looking statements as a result of many factors, including those discussed under "Item 3.D Risk Factors" and elsewhere in this annual report.

A. OPERATING RESULTS

General

Perion is a global technology company that delivers high-quality advertising solutions to brands and publishers. Perion is committed to providing outstanding execution, from high-impact ad formats to branded search and a unified social and mobile programmatic platform.

Our headquarters and primary research and development facilities are located in Israel, and we have several other offices located in the United States and Europe.

Our Codefuel monetization product served 480 million average monthly queries in 2015, with 225 million being generated in United States. This level of activity makes us one of the larger search service providers in the U.S. market.

However, this number of queries has declined from the high of 830 million average monthly queries in 2014 primarily as a result of our significantly reducing the investment in acquiring new customers and forming partnerships with software developers since the second half of 2014. We reduced this investment as a result of two strategic decisions. The first was to become more selective in the companies we are willing to partner with, focusing on those that promote a more positive user experience, in line with our strategy, and those that can and do comply with the standards and policies introduced by the search engine companies, Google and Bing. The second strategic decision, in order to reduce our financial risk, was to discontinue up-front, payment-per-install relationships, a method contingent on our ability to estimate the future revenues and that suffered from the lack of visibility inherent in an ever changing environment. In its stead, we instituted relationships based on sharing the revenue generated by the end users as the revenue is generated. While this new method did reduce our profit margins somewhat, it resolved the risk of paying up-front marketing costs that may not have a positive return.

As a result of the increasing trend away from desktop downloadable software and towards mobile platforms, which inherently have very much reduced opportunities for monetization through the redistribution of search services, we are experiencing difficulties in growing our desktop monetization business. We therefore have been focusing our growth efforts in developing a mobile advertising platform for app developers and we acquired Undertone.

The Undertone business is an advertising technology business focused on delivering standout brand experiences. We do so by developing digital advertising creatively designed to capture consumer attention and drive engagement, delivering these ads across a hand-picked portfolio of websites and mobile applications. With the Undertone acquisition, we are now able to deliver standard and proprietary display, mobile, video, and high impact ad formats, leveraging proprietary technology to ensure that ads are delivered to the right audience, at the right time, and across the right websites and mobile applications. Our ad creation platform allows us to bring sophisticated high impact formats to market quickly and to streamline production of client campaigns. By using HTML5 and a responsive design, we can deliver a seamless creative experience across screens. This combination of creative capabilities and proprietary high impact cross-screen and mobile-only advertising formats enables us to differentiate our offering in the market.

The Grow Mobile and Make Me Reach businesses, coupled with our organic development efforts, empower effective advertising campaigns for mobile app developers seeking to achieve distribution through advertising. By aggregating hundreds of advertising networks and exchanges in real-time through a single insertion order, our mobile marketing platform enables mobile applications developers to increase their customer acquisition, retention and monetization. Our proprietary platform, which has been released in Beta version, offers mobile application developers an efficient interface, containing on a single dashboard, a data room with all **advertising networks** and campaigns together, with easy and understandable graphs and tables, enabling immediate analysis and effective action. Our platform includes social capabilities and the ability to serve ads on Facebook, Instagram and Twitter, as well. In addition, utilizing its proprietary bidding algorithm, it enables sophisticated retargeting of high quality users and integrates with top mobile advertising exchanges. Finally, by providing easy access to these tools and simplifying the administration of the advertising process, mobile application developers are free to focus on improving their mobile media buying strategy.

On March 17, 2016, we decided to discontinue the operations of the engagement product of Growmobile business and to redeploy certain parts of the mobile marketing platform so that it will no longer function as an independent business. We intend to strengthen the social platform, both as an independent service provider and servicing the Undertone high-impact offering with social distribution.

We are also developing other platforms and software, to enable mobile app developers improved optimization and monetization of their existing user base.

Recent Acquisitions

On November 30, 2015, we completed the purchase of Interactive Holding Corp., a Delaware corporation, and its subsidiaries (collectively referred to as "Undertone") for a purchase price of $133.1 million, comprised of $89.1 million paid in cash, $16.0 million were retained as a holdback to cover potential claims until May 2017, for which a liability of $14.4 million was recorded at fair value. $3.0 million will be paid in installments over the period ending September 2017, for which a liability of $2.8 million was recorded at fair value. Deferred compensation in the amount of $20.0 million, bearing 10% annual interest, is required to be paid in November 2020, for which a liability of $22.0 million was recorded at fair value. As part of the purchase price, an amount of $1.2 million was paid on January 2016, and an amount of $2.1 million will be paid during 2016. In addition, an amount of approximately $1.5 million is expected to be paid as a working capital adjustment in cash. Concurrently with the closing, Undertone entered into a new secured credit agreement with its existing lenders for $50.0 million (which was amended on March 4, 2016, to increase the total credit amount to $60.0 million), due in quarterly installments from March 2016 to November 2019. In connection with the acquisition, we granted options to purchase 3,289,000 ordinary shares to employees of Undertone and a warrant to purchase 200,000 ordinary shares to a third-party vendor that provides development services to Undertone. The Undertone acquisition enables us to provide high quality advertising solutions to brands and agencies. By creating and delivering proprietary high impact ads, as well as display, mobile, and video impressions, we can connect brands with their target audiences seamlessly across screens.

On February 10, 2015, we consummated the acquisition of 100% of the shares of Make Me Reach SAS, a private French Company headquartered in Paris, France ("MMR"). The Purchase price was $6.4 million in cash and $4.4 million in the form of 1,437,510 ordinary shares. In the subsequent 12 months, we were required to pay additional $0.4 million in cash and issue an additional $0.4 million in ordinary shares to the founder of MMR, subject to retention conditions, which were paid in full in February 2016. In addition, certain key employees of MMR were entitled to retention payments of which $144,397 in cash and $62,883 in the form of 18,998 ordinary shares which were paid upon closing. An additional, $266,394 in cash and $208,169 in the form of 92,348 ordinary shares that were subject to retention conditions, were paid to such key employees in February 2016. Make Me Reach has become part of Perion's focus on mobile marketing which was created to address the advertising needs of mobile app developers, and enables Perion to provide a more omprehensive technical and platform solution for app developers. Make Me Reach is a Facebook Marketing Partner, Instagram partner and Twitter Official Partner (TOP).

On July 15, 2014, we completed the acquisition of 100% of the shares of Grow Mobile LLC, a Delaware corporation. Grow Mobile provides an innovative platform for mobile advertising that enables developers to buy, track, optimize and scale user acquisition campaigns from a single dashboard. For the acquisition of Grow Mobile, the Company paid total consideration of $17 million in cash and in shares, and the sellers were entitled to an additional milestones-based contingent payment of up to $25 million in cash and in shares.

On July 8, 2015, we entered into an amendment to the Grow Mobile acquisition agreement. Under the amendment, the contingent payment was cancelled and in exchange, we agreed to pay $2.5 million of which $1.5 million was paid in cash and $1.0 million was in the form of 315,263 ordinary shares. In addition, we agreed to accelerate the release of the $1.5 million escrow deposit, which was originally scheduled to be released on September 30, 2016. Under the amendment, $1.0 million of the escrow deposit was released immediately and the remaining balance of $0.5 million was released on December 31, 2015.

Grow Mobile provides an innovative platform for mobile advertising that enables advertisers of mobile applications to buy, track, optimize, and scale user acquisition campaigns from a single dashboard. Grow Mobile has become part of Perion's mobile marketing business, which was created to address the needs of advertisers of mobile applications, and will enable Perion to provide a more comprehensive technical and platform solution for app developers.

On January 2, 2014, we completed the purchase of all of the outstanding shares of ClientConnect. On December 31, 2013, pursuant to a Split Agreement, Conduit transferred to ClientConnect the entire activities and operations, and related assets and liabilities, of its ClientConnect business on a cash-free and debt-free basis and the Conduit shareholders became the shareholders of ClientConnect in proportion to their ownership of Conduit. Upon the consummation of the ClientConnect Acquisition, each ClientConnect ordinary share was exchanged for approximately 0.2387 of our ordinary shares, as a result of which ClientConnect became a wholly owned subsidiary of ours. In addition, we granted options to purchase our ordinary shares to ClientConnect employees in exchange for their options to purchase ClientConnect shares that were issued to them upon the consummation of the Conduit Split as a roll-over of their then existing options to purchase ordinary shares of Conduit. Accordingly, we issued 54.75 million of our ordinary shares to the ClientConnect shareholders and granted options to purchase 2.82 million of our ordinary shares to the ClientConnect employees. Immediately, following the closing, we were owned approximately 81% by the former ClientConnect shareholders and option holders and 19% by our pre-closing shareholders and option holders, on a fully diluted basis (as determined by the treasury stock method, together with an adjustment for an assumed issuance of our ordinary shares at a reference price of $10.49 per share based on the Black Scholes values of out-of-the-money Perion options and ClientConnect options). ClientConnect provides distribution, monetization and analytical services to software developers, distributors and publishers.

In accordance with Accounting Standards Codification Topic 805, "Business Combinations" ("ASC 805"), using the acquisition method of accounting, ClientConnect is deemed the accounting acquirer and Perion is deemed the accounting acquiree. In accordance with the ASC 805 presentation requirements, following the acquisition, our financial statements include ClientConnect's comparative numbers, namely, consolidated balance sheets as of December 31, 2013, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for each of the two years in the period ended December 31, 2013.

Revenues

We generate our revenues primarily from two major sources: (i) search-generated revenues; and (ii) advertising and other. The following table shows our revenues by category (in thousands of U.S. dollars):

	Year Ended December 31,		
	2013	**2014**	**2015**
Search	$ 277,275	$ 330,757	$ 172,277
Advertising and other	48,233	57,974	48,673
Total Revenues	**$ 325,508**	**$ 388,731**	**$ 220,950**

In 2014, revenues increased by 19% compared to 2013 due to organic growth, as well as the acquisition of Perion's search activity. In 2015, revenues decreased by 43%, primarily as a result of our decision to dramatically reduce customer acquisition costs starting from the third quarter of 2014. This decision reduced the tail of revenues going into 2015, as compared to 2014, and reduced ongoing revenues from our new revenue share model.

Advertising and other revenues increased in 2014, primarily as a result of acquiring Perion's activity, including display advertising and sales of the proprietary products Smilebox and IncrediMail. In 2015, advertising and other revenues decreased as well, primarily as these revenues were a side product of our search revenue monetization model and declined together with search as we decided to reduce our investment in customer acquisition. This decrease was partially offset by the revenues recorded from one month of Undertone's activity, as the acquisition closed on November 30, 2015.

Cost of Revenues

Cost of revenues consists primarily of salaries and related expenses, license fees, amortization of acquired technology and payments for content and server maintenance. Cost of revenues as a percentage of revenues increased with the Perion acquisition in 2014, where cost of revenues was higher relating to the product revenues. In 2015, cost of revenues increased primarily due to the costs associated with Undertone's activity in December of 2015. There were no employees included in cost of revenues in 2013, while at the end of 2014 and 2015 there were 22 and 20, respectively.

Customer Acquisition and Media Buy Costs

Our customer acquisition costs consist primarily of payments to publishers and developers who distribute our search properties together with their products, as well as the cost of distributing our own products. Media buy costs consist mainly of the costs of advertising inventory incurred to deliver ads. Customer acquisition costs are primarily based on fixed fee arrangements and on revenue share agreements with our traffic sources. We increased customer acquisition costs dramatically in 2013, with the aim to increase the number of product downloads, users, search queries generated by those downloading our software or that of our partners, and subsequently, revenue from search, premium subscriptions and advertising, in an effort to offset the decreasing revenue levels under our search agreement with Microsoft. As a result of changes in the marketplace, and our being more selective regarding the partners we work with, in the third quarter of 2014 we reduced our investment in customer acquisition by nearly half and have maintained a similar level of expenditure since. In order to mitigate some of the risk inherent in the lack of visibility regarding the generation of future revenues by the users of our partners' software, since the beginning of 2015 we have sought to work with our partners on revenue share agreements instead of fixed fee arrangements. This reduction was partially offset by an increase in media buy costs coming from the one month of activity included from Undertone since its acquisition. Customer acquisition and media buy costs were $185.4 million, $174.6 million and $91.2 million in 2013, 2014 and 2015, respectively. We continue to work exclusively by the sharing of future revenues, rather than pay an up-front fixed fee to our partner software developers. Therefore, with the trailing off of revenues coming from the old model of prepaying for installs, revenues that were without expense in subsequent periods, the percentage of revenues invested in and generated through customer acquisition will increase in 2016. This is in addition to the media buy costs paid by Undertone to its publishers, increasing this cost dramatically in 2016. However, since this cost is relatively lower as a percentage of revenue in the Undertone business, we expect this expense in total as a percentage of revenues to decline in 2016.

Research and Development Expenses

Our research and development expenses consist primarily of salaries and other personnel-related expenses for employees primarily engaged in research and development activities, allocated facilities costs, subcontractors and consulting fees. Our research and development expenditures in 2015 decreased compared to the prior year, primarily as a result of the restructuring of our search monetization business in November 2014, including a head count reduction as well as other cost saving measures, such as the consolidation of our Israeli offices. In addition, in 2015, we capitalized expenses, representing mainly compensation expenses for employees engaged in the development of our Growmobile platforms. The decrease was partially offset by Undertone's one month of expenses as a result of the acquisition.

We continue to invest development effort in our high impact search-based formats in our desktop monetization offering, adapting and maintaining compatibility with the ever-changing software landscape in which we operate. This is in addition to the ongoing development effort in our high impact ad formats and technologies with the acquisitions of Make Me Reach and Undertone. As a result, we expect a nominal increase in research and development expense in 2016, which, coupled with a decrease in revenues, would cause this expense to increase as a percentage of revenues, as well.

The number of employees in research and development were 173, 217 and 221 at the end of 2013, 2014 and 2015, respectively.

Selling and Marketing Expenses

Our selling and marketing expenses consist primarily of salaries and other personnel-related expenses for employees primarily engaged in marketing activities, allocated facilities costs, as well as other outsourced marketing activity. This expenditure and the number of employees involved in this activity has increased and is expected to continue to increase as the Company and its various activities shift and the increasing emphasis on selling and marketing its products to grow the business, as well as a result of the Undertone acquisition. The number of employees in sales and marketing was 66, 115 and 227 at the end of 2013, 2014 and 2015, respectively.

General and Administrative Expenses ("G&A")

Our general and administrative expenses consist primarily of salaries and other personnel-related expenses for executive and administrative personnel, allocated facilities costs, professional fees and other general corporate expenses. G&A expenses in 2013 are those of ClientConnect prior to the acquisition of Perion and reflect the G&A expenses of a private company, acting as a division of a larger one, focused on organic growth. G&A expenses since 2014 are reflective of an independent public company, with all of its requisite costs, managing organic activity as well as being an active acquire of other businesses. In 2015, this number increased further, primarily as result of the substantial Undertone acquisition and the costs associated with it. The number of G&A employees was 55, 98 and 128 at the end of 2013, 2014 and 2015, respectively.

Restructuring Charges

In 2014, we incurred restructuring charges of $4.0 million due to the restructuring of our search monetization business, including a head count reduction as well as other cost saving measures, such as the consolidation of our Israeli offices from three floors to two in order to sublease the third floor.

In 2015, we incurred restructuring charges of $1.1 million in connection with the restructuring plan of one of our consumer app development project, mainly to reduce workforce, close certain facilities, as well as other cost saving measures.

Impairment, net of change in fair value of contingent consideration

We determined that certain indicators of potential impairment that required an interim goodwill impairment analysis for our reporting units existed in 2015. These indicators included a decrease in our share price and lower than expected sales and cash flow, as well as managerial decisions to abandon certain R&D projects. Based on our goodwill assessment for the search monetization reporting unit and Growmobile unit, we determined that the carrying amount of the reporting units exceeds its fair value resulting in an impairment of $70.9 million and $16.2 million, respectively. We will continue to monitor our reporting units to determine whether events and changes in circumstances, such as significant adverse changes in business climate or operating results, further significant decline in our market capitalization, changes in management's business strategy or changes of management's cash flows projections, warrant further impairment testing. In addition, we performed an impairment review of several intangible assets that were recognized in connection with the acquisition of Grow Mobile, its capitalized software costs and the Perion acquisition, which resulted in an impairment of $11.9 million. The impairment charges were measured as the difference between the carrying amounts of those intangible assets and their fair values.

We recorded a net gain of $6.6 million, comprised of the change in fair value of the previously accrued contingent payment, related to the Grow Mobile acquisition, in the amount of $9.1 million, net of the $2.5 million accrual of the payments we made in connection with amendment to the acquisition agreement in July 2015.

Income Tax Expense

A significant portion of our income is taxed in Israel. The standard corporate tax rate in Israel was 26.5% in 2015 and 2014 and 25.0% in 2013. In 2016 and thereafter, the rate will be 25.0%. For our Israeli operations we have elected to implement a tax incentive program pursuant to a 2011 Israeli tax reform, referred to as a "Preferred Enterprise," according to which a reduced tax rate of 16% is applied to our preferred income in 2015. With the Undertone acquisition we expect to have taxable income in the U.S. and to utilize cumulated losses we have from prior US acquisitions.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operation are based on our financial statements, which have been prepared in conformity with U.S. GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We evaluate these estimates on an on-going basis. We base our estimates on our historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying amount values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Under U.S. GAAP, when more than one accounting method or policy or its application is generally accepted, our management selects the accounting method or policy that it believes to be most appropriate in the specific circumstances. Our management considers some of these accounting policies to be critical.

A critical accounting policy is an accounting policy that management believes is both most important to the portrayal of our financial condition and results and requires management’s most difficult subjective or complex judgment, often as a result of the need to make accounting estimates about the effect of matters that are inherently uncertain. While our significant accounting policies are discussed in Note 2 of the Financial Statements, we believe the following accounting policies to be critical:

Stock-Based Compensation

We account for share-based payment awards made to employees and directors in accordance with ASC 718, "Compensation – Stock Compensation", which requires the measurement and recognition of compensation expense based on estimated fair values. Determining the fair value of stock-based awards at the grant date requires the exercise of judgment, as well as the determination of the amount of stock-based awards that are expected to be forfeited. If actual forfeitures differ from our estimates, stock-based compensation expense and our results of operations would be impacted. Expense is recognized for the value of the awards, which have graded vesting based on service conditions, using the straight line method, over the requisite service period of each of the awards, net of estimated forfeitures. Estimated forfeitures are based on actual historical pre-vesting forfeitures. For performance-based stock units, expense is recognized for the value of such awards, if and when we conclude that it is probable that a performance condition will be achieved. We are required to reassess the probability of the vesting at each reporting period for awards with performance conditions and adjust compensation cost based on its probability assessment.

We account for changes in award terms as a modification in accordance with ASC 718. A modification to the terms of an award should be treated as an exchange of the original award for a new award with total compensation cost equal to the grant-date fair value of the original award plus the incremental value measured at the same date. Under ASC 718, the calculation of the incremental value is based on the excess of the fair value of the new (modified) award based on current circumstances over the fair value of the original award measured immediately before its terms are modified based on current circumstances.

Total stock-based compensation expense recorded during 2015 was $7.4 million, of which $0.2 million was included in cost of revenues, $1.0 million was included in research and development costs, $1.9 million in selling and marketing expenses, $4.3 million in general and administrative expenses.

As of December 31, 2015, the maximum total compensation cost related to options and restricted stock units ("RSUs"), granted to employees and directors not yet recognized amounted to $8.9 million. This cost is expected to be recognized over a weighted average period of 1.25 years.

We estimate the fair value of standard stock options granted using the Binomial method option-pricing model. The option-pricing model requires a number of assumptions, of which the most significant is expected stock price volatility. Expected volatility was calculated based upon actual historical stock price movements of our stock. The risk-free interest rate is based on the yield from U.S. Treasury zero-coupon bonds with an equivalent term. The fair value of RSUs is based on the market value of the underlying shares at the date of grant.

Taxes on Income

We are subject to income taxes in Israel and the United States. Significant judgment is required in evaluating our uncertain tax positions and determining our provision for income taxes. Based on the guidance in ASC 740 "Income Taxes", we use a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement.

Although we believe we have adequately reserved for our uncertain tax positions, no assurance can be given that the final tax outcome of these matters will not be different. We adjust these reserves in light of changing facts and circumstances, such as the closing of a tax audit, the refinement of an estimate or changes in tax laws. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact the provision for income taxes in the period in which such determination is made. The provision for income taxes includes the impact of reserve provisions and changes to reserves that are considered appropriate. Interest is recorded within finance income, net.

Accounting for tax positions requires judgments, including estimating reserves for potential uncertainties. We also assess our ability to utilize tax attributes, including those in the form of carry forwards for which the benefits have already been reflected in the financial statements. We record valuation allowances for deferred tax assets that we believe are not more likely than not to be realized in future periods. While we believe the resulting tax balances as of December 31, 2015 are appropriately accounted for, the ultimate outcome of such matters could result in favorable or unfavorable adjustments to our consolidated financial statements and such adjustments could be material. See Note 13 of the Financial Statements for further information regarding income taxes. We have filed or are in the process of filing local and foreign tax returns that are subject to audit by the respective tax authorities. The amount of income tax we pay is subject to ongoing audits by the tax authorities, which often result in proposed assessments. We believe that we adequately provided for any reasonably foreseeable outcomes related to tax audits and settlement. However, our future results may include favorable or unfavorable adjustments to our estimated tax liabilities in the period the assessments are made or resolved, audits are closed or when statutes of limitation on potential assessments expire.

Business Combinations

We allocate the fair value of purchase consideration to the tangible assets acquired, liabilities assumed and intangible assets acquired based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. When determining the fair values of assets acquired and liabilities assumed, management makes significant estimates and assumptions, especially with respect to intangible assets.

Critical estimates in valuing certain intangible assets include but are not limited to future expected cash flows from customer relationships and acquired patents and developed technology; and discount rates. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates.

Other estimates associated with the accounting for acquisitions may change as additional information becomes available regarding the assets acquired and liabilities assumed, as more fully discussed in Note 3 of the Financial Statements.

Goodwill

Goodwill is allocated to reporting units expected to benefit from the business combination. We test goodwill for impairment at the reporting unit level at least annually, or more frequently if events or changes in circumstances occur that would more likely than not reduce the fair value of a reporting unit below its carrying value. Goodwill impairment tests require judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units, assignment of goodwill to reporting units, and determination of the fair value of each reporting unit. In 2015, we incurred impairment charges of $87.0 million, related to goodwill associated with the monetization and Growmobile reporting units.

Impairment of Long-Lived Assets

We are required to assess the impairment of tangible and intangible long-lived assets subject to amortization, under ASC 360 "Property, Plant and Equipment", on a periodic basis and when events or changes in circumstances indicate that the carrying value may not be recoverable. Impairment indicators include any significant changes in the manner of our use of the assets or the strategy of our overall business, significant negative industry or economic trends and significant decline in our share price for a sustained period.

Upon determination that the carrying value of a long-lived asset may not be recoverable based upon a comparison of aggregate undiscounted projected future cash flows from the use of the asset or asset group to the carrying amount of the asset, an impairment charge is recorded for the excess of carrying amount over the fair value. We measure fair value using discounted projected future cash flows. We base our fair value estimates on assumptions we believe to be reasonable, but these estimates are unpredictable and inherently uncertain. If these estimates or their related assumptions change in the future, we may be required to record impairment charges for our tangible and intangible long-lived assets subject to amortization. In 2014, we incurred impairment charges of $19.9 million related to intangible assets associated with desktop technologies acquired in the acquisition of Perion that were determined during the process of integration with Perion to be redundant to the technology of ClientConnect. This impairment was also a result of our shifting future growth strategy towards mobile platforms and discontinuing some of the consumer products developed. In 2015, we incurred impairment charges of $11.9 million related to intangible assets and capitalized software costs associated with our Growmobile and monetization reporting units.

In addition, in connection with the restructuring plans in 2014 and 2015, we recorded an impairment of $0.6 million and $0.1 million of property and equipment.

Derivative and Hedge Accounting

During fiscal 2015 and 2014, approximately 18% and 15% of our operating expenses, respectively, were denominated in new Israeli shekels (“ILS”). In order to mitigate the potential adverse impact on cash flows resulting from fluctuations in the exchange rate of the ILS, we started to hedge portions of our forecasted expenses with options contracts. The effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income and reclassified into earnings in the same period, or periods, during which the hedged transaction affects earnings. The ineffective portion of a derivative’s change in fair value, if any, is recognized in earnings, as well as gains and losses from a derivative’s change in fair value that are not designated as hedges are recognized in earnings immediately. We have also entered into a cross currency interest rate SWAP agreement in order to transform cash flow in ILS into USD of interest payments and principal as derived from our convertible debt conditions (see note 9). The SWAP contracts were not designated as hedging instruments and therefore gains or losses resulting from the change of their fair value are recognized in "financial income, net". We estimate the fair value of such derivative contracts by reference to spot rates quoted in active markets.

Establishing and accounting for foreign exchange contracts involve judgments, such as determining the fair value of the contracts, determining the nature of the exposure, assessing its amount and timing, and evaluating the effectiveness of the hedging arrangement.

Although we believe that our estimates are accurate and meet the requirement of hedge accounting, if actual results differ from these estimates, such difference could cause fluctuation of our recorded revenue and expenses.

Recent Accounting Standards

In February 2016, the FASB issued ASU 2016-02, Leases. ASU 2016-02 requires that long-term lease arrangements be recognized on the balance sheet. The standard is effective for interim and annual periods beginning after December 15, 2018, and early adoption is permitted. The Company is currently evaluating the impact of adoption on its consolidated financial statements.

In September 2015, the FASB issued ASU 2015-16, *Simplifying the Accounting for Measurement-Period Adjustments (Topic 805): Business Combinations*, which requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The standard is effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. The guidance is to be applied prospectively to adjustments to provisional amounts that occur after the effective date of the standard, with earlier application permitted for financial statements that have not been issued. The Company does not expect that the adoption of this ASU will have a significant impact its consolidated financial statements.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09 (ASU 2014-09) "Revenue from Contracts with Customers." ASU 2014-09 supersedes the revenue recognition requirements in “Revenue Recognition (Topic 605)”, and requires entities to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. As currently issued and amended, ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period, though early adoption is permitted for annual reporting periods beginning after December 15, 2016. We are currently in the process of evaluating the impact of the adoption of ASU 2014-09 on our consolidated financial statements.

Adoption of New Accounting Standard

In November 2015, the FASB issued Accounting Standards Update No. 2015-17 (ASU 2015-17) “Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes”. ASU 2015-17 simplifies the presentation of deferred income taxes by eliminating the separate classification of deferred income tax liabilities and assets into current and noncurrent amounts in the consolidated balance sheet statement of financial position. The amendments in the update require that all deferred tax liabilities and assets be classified as noncurrent in the consolidated balance sheet. The amendments in this update are effective for annual periods beginning after December 15, 2016, and interim periods therein and may be applied either prospectively or retrospectively to all periods presented. Early adoption is permitted. We have early adopted this standard in the fourth quarter of 2015 on a retrospective basis. Prior periods have been retrospectively adjusted.

As a result of the adoption of ASU 2015-17, we made the following adjustments to the 2014 balance sheet: a $3,000 decrease to current deferred tax assets, a $3,000 increase to noncurrent deferred tax asset, there was no change in noncurrent deferred tax liability.

In April 2015, the FASB issued guidance on debt issuance costs. The guidance requires entities to present debt issuance costs related to a recognized debt liability as a direct deduction from the carrying amount of that debt in the balance sheet. This guidance does not contain guidance for debt issuance costs related to line-of-credit arrangements. Consequently, in August 2015, the FASB issued additional guidance to add paragraphs indicating that the SEC staff would not object to an entity deferring and presenting debt issuance costs related to line-of-credit arrangements as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. The guidance is effective for the interim and annual periods beginning on or after December 15, 2015. We have early adopted the guidance for debt outstanding, as of December 31, 2015. There was no effect on prior year's presentation.

Results of Operations

The following table sets forth, for the periods indicated, our statements of operations expressed as a percentage of total revenues (the percentages may not equal 100% because of the effects of rounding):

	Year Ended December 31,		
	2013	**2014**	**2015**
Revenues:			
Search	85%	85%	78%
Advertising and Other	15	15	22
Total revenues	**100%**	**100%**	**100%**
Costs and expenses:			
Cost of revenues	2%	7%	7%
Customer acquisition and media buy costs	57	45	41
Research and development	7	11	12
Selling and marketing	3	7	13
General and administrative	6	10	14
Restructuring charges	-	1	-(*)
Impairment, net of change in fair value of contingent consideration	-	5	42
Total costs and expenses	**75**	**86**	**130**
Operating income (loss)	**25**	**14**	**(30)**
Financial income (expense), net	1	(1)	(1)
Income (loss) before taxes on income	**26**	**13**	**(31)**
Income tax expense	7	2	-(*)
Income (loss) from continuing operations	**19**	**11**	**(31)**
Loss from discontinuing operations, net	(10)	-	-
Net income	**9%**	**11%**	**(31)%**

(*) less than 1

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Revenues. Revenues decreased by 43%, from $388.7 million in 2014, to $221.0 million in 2015.

Search revenues. Search revenues decreased by 48% in 2015, from $330.8 million in 2014, to $172.3 million in 2015. This decrease was primarily a result of our decision to dramatically reduce customer acquisition costs starting from the third quarter of 2014. This decision reduced the tail of revenues going into 2015, as compared to 2014, and also reduced ongoing revenues from our new revenue share model. Our search revenues have substantially been stable since the second quarter of 2015, albeit at a lower level than previously, and as a result, we expect them to continue and contribute a substantial part of our revenues in 2016.

Advertising and other revenues. Advertising and other revenues decreased by 16% in 2015, from $58.0 million in 2014 to $48.7 million in 2015. This decrease is primarily attributable to these revenues being substantially a side product of our search revenue monetization model and declined together with search as we decided to reduce our investment in customer acquisition. This decrease was partially offset by the revenues recorded from one month of Undertone's activity, as the acquisition closed on November 30, 2015. As a result of this acquisition, we expect advertising revenues to increase dramatically in 2016 as compared to 2015, greatly diversifying our revenue sources.

The following table shows costs and expenses by category (in thousands of U.S. dollar):

	Year ended December 31		
	2013	**2014**	**2015**
Cost of revenues	$ 6,104	$ 27,817	$ 16,195
Customer acquisition and media buy costs	185,355	174,575	91,217
Research and development	22,394	44,129	26,377
Selling and marketing	10,298	25,388	28,270
General and administrative	19,115	37,605	31,520
Restructuring charges	-	3,981	1,052
Impairment, net of change in fair value of contingent consideration	-	19,941	92,340
Total Costs and Expenses	**$ 243,266**	**$ 333,436**	**$ 286,971**

Cost of revenues. Cost of revenues decreased by $11.6 million, or 42%, from $27.8 million in 2014, to $16.2 million in 2015. The decrease was primarily attributable to an $8.5 million decrease in amortization of intangible assets, as a result of an impairment of certain intangible assets in the fourth quarter of 2014 and to lesser extent in 2015. In addition, our hosting expenses decreased by approximately $2.7 million due to the reduction in our search revenue volume.

Customer acquisition costs ("CAC") and media buy costs. Decreased by $83.4 million, or 48%, from $174.6 million in 2014, compared to $91.2 million in 2015. This decrease was a result of our decision to be more selective regarding our partners, coupled with the transition of our agreements from a prepayment per install method in 2014 to paying our partners a portion of the revenues generated as they are generated. In addition, $16.7 million of CAC associated to search revenues presented on net basis, was deducted directly from revenues in 2015. This reduction was partially offset by the increase in media buy costs of Undertone for the one month since the acquisition. As a result of our stabilizing our CAC in the search business and the acquisition of Undertone and consolidating its media buying costs in the latter part of 2015, we expect this expenditure to increase in 2016, while it may not increase as a percentage of revenues as these costs are a lower percentage at Undertone.

Research and development expenses ("R&D"). R&D decreased by $17.8 million in 2015, or 40%, from $44.1 million in 2014, to $26.4 million in 2015. The decrease is primarily attributable to the restructuring of our search monetization business in November 2014, including a head count reduction as well as other cost saving measures, such as the consolidation of our Israeli offices. In addition, in 2015, $4.0 million was capitalized, representing mainly compensation expenses for employees engaged in the development of our mobile advertising platform with an emphasis on the self-service offering and a platform for optimizing and increasing the retention and subsequent monetization from the users of our partners' mobile apps. These costs were in addition to the ongoing development effort required in our desktop monetization offering; to adapt to and maintain compatibility with the ever-changing software landscape in which we operate. With the acquisition of Undertone in the latter part of 2015, we expect R&D to increase for the full year of 2016, but we do not expect it will increase as a percentage of revenues.

Selling and marketing expenses ("S&M"). Selling and marketing expenses increased by $2.9 million, or 11%, from $25.4 million in 2014 to $28.3 million in 2015. This increase was primarily attributable to expenses related to the acquisitions of Grow Mobile, Make Me Reach and Undertone in July 2014, February 2015 and November 2015, respectively, offset by a decrease in expenses resulting from the restructuring of our search monetization business in November 2014. S&M expenses are substantial at Undertone, and as a result on a consolidated basis, we expect this expenditure to increase both nominally and as a percentage of revenues in 2016.

General and administrative expenses ("G&A"). G&A decreased by $6.1 million, or 16%, from $37.6 million in 2014, to $31.5 million in 2015. The decrease was primarily attributable to decreases of $5.0 million in share based compensation and to the restructuring taken place in November 2014, including a head count reduction as well as other cost saving measures. The decrease is partially offset by the G&A costs of Undertone as a result of the acquisition. We expect G&A expense in 2016 to increase nominally, but to remain stable as a percentage of sales.

Impairment, net of change in fair value of contingent consideration. We recorded a net gain of $6.6 million, comprised of the change in fair value of the previously accrued contingent payment, associated with the Grow Mobile acquisition, in the amount of $9.1 million, net of the $2.5 million accrual of the Release Payment.

We determined that certain indicators of potential impairment that required an interim goodwill impairment analysis for our reporting units existed in 2015. These indicators included a decrease in our share price and lower than expected sales and cash flow, as well as managerial decisions to abandon certain R&D projects. Based on our goodwill assessment for the search monetization reporting unit, we determined that the carrying amount of the reporting unit exceeds its fair value amount, as a result an impairment of $87.0 million was recorded. This impairment is included in impairment, change in fair value of contingent consideration, in the statement of income for 2015. We will continue to monitor our reporting units to determine whether events and changes in circumstances, such as significant adverse changes in business climate or operating results, further significant decline in our market capitalization, changes in management's business strategy or changes of management's cash flows projections, warrant further impairment testing. In addition, we performed an impairment review of several intangible assets that were recognized in connection with the acquisitions of Grow Mobile and Perion in addition to software capitalized costs in regards to our Growmobile platforms, which resulted in an impairment of $11.9 million. The impairment charges were measured as the difference between the carrying amounts of those intangible assets and their fair values.

Taxes on income. Taxes on income decreased by $8.9 million from $9.6 million in 2014 to $0.7 million in 2015. The decrease in the tax expenses is linked to the decrease in our income before tax as a result of the decrease in revenues as aforementioned. In addition, we have recorded a tax benefit of $7.1 million as a result of reversal of a valuation allowance in respect of net operating losses which after the acquisition of Undertone, it is more likely than not they will be utilized in future periods.

Net income (loss). Net income decreased by $111.5 million from net income of $42.8 million in 2014, to net loss of $68.9 million in 2015. The decrease resulted primarily from increase in impairment costs in the amount of $79.0 million in 2015, the decrease in our revenues, net of CAC and media buying, in the amount of $84.4 million, partially offset by a change in fair value of contingent consideration in the amount of $6.6 million, a decrease in the amortization of intangible assets of $9.9 million, a decrease in our share based compensation expenses of $7.5 million, decrease in tax expenses of $8.9 million, decrease in restructuring costs of $2.9 million and other significant cost saving measures, mostly attributable to the restructuring of our search monetization business in November 2014 and the consolidation of our Israeli offices.

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Revenues. Revenues increased by 19%, from $325.5 million in 2013, to $388.7 million in 2014. This increase was a result of increases in each of our revenue streams, as discussed below:

Search revenues. Search revenues increased by 19% in 2014, from $277.3 million in 2013, to $330.8 million in 2014. This increase was due to an increase in the number of downloads and consequently the number of users using our search service. This increase is attributable to organic growth, as well as the acquisition of Perion's activity, which too was based on search-generated revenues. In 2013, Perion's search revenues were $59.0 million. The year over year growth occurred entirely in the first half of 2014, when we recorded search-generated revenues of $189.3 million, increasing 38% over the first half of 2013. In the second half of 2014, with the reduced level of visibility regarding the future revenues from newly acquire users, we drew back on our customer acquisition costs and revenues declined, with search-generated revenues totaling $68.1 million in the fourth quarter of 2014, reflecting a 4% decrease as compared to the fourth quarter of 2013. We expect to maintain this lower level of customer acquisition costs and therefore expect a continued decline in revenues going into 2016.

Advertising and other revenues. Advertising and other revenues increased by 20% in 2014, from $48.2 million in 2013 to $58.0 million in 2014. This increase is primarily attributable to the acquisition of Perion's activity, its products and advertising revenues. In 2013, Perion's product and other revenues were $28.1 million. In addition the increase was due to display advertising revenues that are to a great extent dependent on the distribution being done for search-generated revenues. This increase was partially offset by a decrease resulting from certain policy changes associated with the distribution of toolbars, causing us to discontinue one of our toolbar marketing venues. As with search generated revenues, the increase in these other revenues was attributable to the first half of the year, when such revenues totaled $35.0 million, an increase of 51% over the first half of 2013, while in the second half of 2014, with the decrease in customer acquisition costs, such revenues decreased as well, with a 23% decrease in the fourth quarter of 2014, from $13 million in the fourth quarter of 2013 to $10.0 million, in the fourth quarter of 2014.

The following table shows costs and expenses by category (in thousands of U.S. dollars):

	Year ended December 31,	
	2013	**2014**
Cost of revenues	$ 6,104	$ 27,817
Customer acquisition costs	185,355	174,575
Research and development	22,394	44,129
Selling and marketing	10,298	25,388
General and administrative	19,115	37,605
Impairment and restructuring charges	-	23,922
Total costs and expenses	**$ 243,266**	**$ 333,436**

Cost of revenues. Cost of revenues in 2014 was $27.8 million, as compared to $6.1 million in 2013, representing an increase of 356 %. The increase is primarily attributable to amortization of intangible assets of $15.7 million due to acquisitions, as well as the cost of revenues for Perion's legacy business recorded in 2014 and not included in 2013. In 2013, Perion's cost of revenues were $11.4 million. The increase in amortization expenses caused the gross profit margin to decrease from 98% in 2013 to 93% in 2014.

Customer acquisition costs ("CAC"). CAC amounted to $174.6 million in 2014, compared to $185.4 million in 2013, representing a decrease of 6%. This decrease was entirely in the second half of 2014, when CAC amounted to $59.0 million, reflecting a 43% decrease compared to the second half of 2013. Our reduced level of investment was in light of our not having sufficient visibility to ensure a positive return on this investment, and as a result, our decision to engage higher margin software developing partners.

Research and development expenses ("R&D"). R&D increased by $21.7 million in 2014, from $22.4 million in 2013, or 7% of revenues, to $44.1 million, or 11% of revenues, in 2014. The increase was primarily attributable to maintaining the technological edge of our desktop technologies and their ability to adapt to changing Internet platforms, as well as to investing in mobile advertising platforms, primarily in our advertising marketing platform, and to developing tools and platforms to enhance our ability to increase advertising revenues, independent of our search offering.

Selling and marketing expenses ("S&M"). Selling and marketing expenses increased 147%, from $10.3 million in 2013 to $25.4 million in 2014. This increase was primarily attributable to the Perion acquisition. In 2013, Perion's S&M expenses amounted to $11.1 million.

General and administrative expenses ("G&A"). G&A increased 97%, from $19.1 million in 2013 to $37.6 million in 2014. The increase reflects primarily the fact that 2013 does not include Perion's activity and G&A in that year are those of ClientConnect prior to the acquisition, reflecting the G&A expenses of a private company, acting as a division of a larger one, focused on organic growth. G&A expenses in 2014 are reflective of an independent public company, with all of its requisite costs, managing organic activity as well as being an active acquirer of other businesses. In 2013, Perion's G&A expenses were in the amount of $15.1 million.

Impairment and restructuring charges. Impairment charges of $19.9 million related to intangible assets associated with desktop technologies acquired in the Perion acquisition that during the integration process were determined to be redundant to the technology of ClientConnect. This impairment was also a result of our shifting future growth strategy towards mobile platforms and discontinuing some of the desktop products and technologies that we had developed or acquired.

On November 6, 2014, we announced a restructuring of our search monetization business, which included a head count reduction as well as other cost saving measures, such as consolidating of our Israeli offices from three floors to two in order to sublease the third floor. The cost of $4.0 million recorded reflects expenses accrued, resulting from this restructuring.

Taxes on income. Income tax in 2014 was $9.6 million, compared to $22.6 million in 2013. In 2013, taxes on income includes tax expenses of $11.8 million in respect of release of ClientConnect trapped earnings. Excluding such $11.8 million, the effective tax rate in 2013 was 13%, increasing to 18% in 2014, primarily as a result of the significant increase in expenses not deductible for tax purposes in 2014, including $3.2 million of acquisition-related costs and $4.7 million in employee stock-based compensation.

Net income. Net income in 2014 was $42.8 million, compared to $28.6 million in 2013. This increase was primarily a result of net loss of $33.8 million from discontinued operations in 2013, partially offset by an impairment costs to intangible assets in the amount of $19.9 million, net of deferred tax benefit of $3.2 million that did not contribute to the current operations.

B. LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2015, we had $60.0 million in cash, cash equivalents and short-term deposits, compared to $116.2 million at December 31, 2014. The $56.2 million decrease is primarily the result of cash paid, net of cash acquired, for the acquisition of Make Me Reach and Undertone in the amounts of $5.3 million and $81.7 million, respectfully, partially offset by $17.5 million cash provided by operating activities, $10.0 million from the issuance of shares in a private placement.

For 2013, 2014 and 2015, our cash flows were as follows (in thousands of U.S. dollars):

	Year ended December 31		
	2013	**2014**	**2015**
Net cash provided by operating activities	$ 61,352	$ 72,042	$ 17,569
Net cash used in investing activities	(76,975)	(6,984)	(120,446)
Net cash provided by (used in) continuing financing activities	(64,159)	35,176	19,199
Effect of exchange rate changes on cash and cash equivalents	-	-	14
	$ (79,782)	**$ 100,234**	**$ (83,664)**

Net cash provided by operating activities

In 2015, our operating activities provided cash in the amount of $17.6 million, primarily as a result of net loss in the amount of $68.9 million, decreased by non-cash depreciation and amortization of $12.0 million, impairment expenses of $98.9 million, non-cash share-based compensation expenses of $7.4 million, offset by a decrease of $5.6 million in the payment obligation related to an acquisition and by net changes of $26.5 million in operating assets and liabilities.

In 2014, our operating activities provided cash in the amount of $72.0 million, primarily due to net income of $42.8 million, increased by non-cash depreciation, amortization and impairment expenses of $42.0 million, non-cash stock-based compensation expenses of $15.1 million, other non-cash expenses of $3.5 million and an increase in accounts payable and accrued expenses of $12.0 million, offset by a net increase of $13.9 million in deferred tax assets, an increase in accounts receivable of $23.6 million and changes of $5.9 million in other operating assets and liabilities.

In 2013, our continuing operating activities provided cash in the amount of $85.3 million primarily due to net income from continuing operations of $62.4 million, increased by non-cash depreciation and amortization of $2.1 million, non-cash stock-based compensation expenses of $10.4 million, other non-cash expenses of $1.2, a decrease in accounts receivables of $18.0 million and an increase in accounts payable of $8.7 million, offset by a decrease in deferred revenues of $6.2 million and changes in other operating assets and liabilities of $11.3 million.

Net cash used in investing activities

In 2015, our investing activities used cash in the amount of $120.4 million, primarily due to $27.4 million invested in short-term bank deposits, $5.3 million in cash used for the acquisition of Make Me Reach, $81.7 million in cash used for the acquisition of Undertone, $2.0 million invested in the purchase of property and equipment and $4.0 million invested in development costs that were capitalized.

In 2014, our investing activities used cash in the amount of $7.0 million, primarily due to $10.9 million invested in the purchase of property and equipment, $4.3 million in cash used for the acquisition of Grow Mobile and a deposit of $15.0 million in short term bank deposits, partially offset by cash acquired through the acquisition of Perion in the amount of $23.4 million.

In 2013, our continuing investing activities used cash in the amount of $77.9 million, primarily due to investments in short term investments, net of proceeds, of $76.0 million and purchase of property and equipment of $1.9 million.

Net cash provided by (used in) financing activities

In 2015, our financing activities provided cash in the amount of $19.2 million, primarily due to the $13.0 million proceeds from a short-term loan and proceeds from issuance of shares in the amount of $10.0 million, partially offset by $1.5 million of payment made in connection with prior acquisition and $2.3 million repayment of long-term bank loans

In 2014, our financing activities provided cash in the amount of $35.2 million, primarily from $37.9 million raised from the Israeli public in long-term, convertible debt, $1.6 million from the exercise of stock options and $0.5 million contribution by shareholders, offset by $2.5 million payment made in connection with an acquisition and $2.3 million repayment of long-term bank loans.

In 2013, our continuing financing activities used cash in the amount of $64.2 million, primarily due to the $65 million of payment of dividend made upon consummation of the spin-off of ClientConnect from Conduit, partially offset by proceeds from exercise of stock options in the amount of $0.8 million.

Credit Facilities

In September 2011, we entered into a loan agreement with each of Bank Leumi Le-Israel B.M. ("Leumi") and First International Bank of Israel ("FIBI"), to secure a credit facility of up to a total of $20 million of financing. During the second quarter of 2012, we amended both agreements, and in addition reduced the amount of the credit facility to $10 million, $6.0 million provided by Leumi, and $4.0 million by FIBI. In December 2014 we executed a cross-currency and interest SWAP transaction with Leumi in order to mitigate the potential impact of the fluctuations in the ILS/$ exchange rate in regards to the future interest and principal payments of our convertible bonds (described below), which are all denominated in ILS. In April 1, 2015, we amended the agreement with Leumi in regards to the financial covenants to secure the fulfillment of all the obligations, liabilities and indebtedness to Leumi effective December 31, 2014. The repayment of the debt is structured over four and five years from the respective draw dates, and we have an option under each agreement for early repayment. As of December 31, 2015, the outstanding balance of these loans is in the amount of $2.0 million to be paid over the next one to two years, out of which $1.6 million is classified as long term debt and $0.4 million as current maturities. In order to secure our obligations to the banks, we originally granted to the banks a first priority floating charge on all of our assets and a first priority fixed charge on certain other immaterial assets, which were removed in 2014 due to the lower outstanding amounts under the credit facilities. We do have in place negative pledges for the benefit of the banks and liens over other deposits deposited with the banks from time to time.

On November 22, 2015, we borrowed $19.9 million under a new credit facility from Leumi. The credit facility is secured by a lien on the accounts receivable of ClientConnect, from its current and future business clients and is guaranteed by Perion. The credit facility matures in November 2016. As of December 31, 2015, the unpaid balance of the credit facility was $13.0 million bearing interest of Libor + 1.2%.

On November 30, 2015, concurrently with the closing of the Undertone acquisition, Undertone entered into a new secured credit agreement with SunTrust Bank, Silicon Valley Bank and Comerica Bank for $50 million, due in quarterly installments from March 2016 to November 2019. The installments start in the amount of $0.6 million, increase to $1.25 million in March 2018 and require a final payment upon maturity in the amount of $35 million. The outstanding principal amount bears interest at LIBOR plus 5.5% per year and is secured by substantially all the assets of the companies in the Undertone group and by guarantees of such companies. The loan is required to be prepaid by Undertone in certain circumstances, such as from proceeds of asset sales or casualty insurance policies, debt or equity offerings, or from excess cash flow in the event that Undertone's total leverage ratio exceeds specified targets, and a pro rata portion of indemnification payments (or offset of the holdback amount) under our merger agreement with Undertone.

Under the Undertone credit facility, Undertone is required to maintain with the following financial covenants as of the end of each fiscal quarter:

- minimum total leverage ratio starting at 2.5 and declining gradually to 1.15; and
- fixed coverage ratio of at least 2.0.

The Undertone credit facility contains customary restrictive covenants, including those regarding indebtedness and preferred equity, liens, fundamental changes, investments, loans, restricted payments, asset sales, transactions with affiliates, restrictive agreements and sale and leaseback transactions. It also contains customary events of default, including a "change in control", which is defined to include, among other things, the acquisition of record or beneficial ownership by any person or group of 35% or more of Perion's outstanding ordinary shares or the failure of continuing directors to constitute a majority of Perion's board of directors for a period of 24 consecutive months. As of December 31, 2015, the balance of the loan, net of fees, is in the amount of $48.6 million to be paid over the next one to four years, out of which $46.5 million classified as long term debt and $2.1 million as current maturities.

As of December 31, 2015, we had bank loans outstanding in the amount of $63.6 million to be paid over the next one to four years, including $46.9 million classified as long-term debt and $16.7 million as current maturities.

Series L Convertible Bonds

On September 23, 2014, we completed a public offering in Israel of Series L Convertible Bonds (the "Bonds"). The Bonds have an aggregate principal amount of approximately ILS 143.5 million (approximately 36.8$ million as of December 31, 2015) at a price of ILS 965 per unit of ILS 1,000 par value. The Bonds, which are listed on the Tel Aviv Stock Exchange, are convertible into an aggregate of approximately 4.27 million ordinary shares, at a conversion price of ILS 33.605 per share (approximately $8.6 per share as of December 31, 2015). The principal of the Bonds are repayable in five equal annual installments commencing on March 31, 2016, with a final maturity date of March 31, 2020. The Bonds bear interest at the rate of 5% per year, subject to increase to up to 6% in the event of downgrades of our debt rating. The interest is payable semi-annually on March 31 and September 30 of each of the years 2015 through 2019, as well as a final payment on March 31, 2020.

Under the terms of our Bonds, our ability to make distributions is subject to various limitations. In addition, we are required to maintain and comply with the following financial covenants:

- shareholders' equity of at least $120 million at the end of each quarter;
- ratio of net financial indebtedness to twelve-month EBITDA of not more than 2.5 at the end of each quarter;
- twelve-month EBITDA at the end of each quarter of not less than 40% of original aggregate principal amount of the bonds; and
- cash and cash equivalents of at least $10 million (and, six months prior to each principal payment date, a sufficient amount to repay the principal and interest then due).

As of December 31, 2015, we were in compliance with all of the foregoing covenants.

Private placement

On December 3, 2015, we completed a private placement of 4,436,898 ordinary shares for gross proceeds of $10.1 million ($10.0 million net of legal fees) pursuant to a securities purchase agreement with J.P. Morgan Investment Management Inc., as investment advisor to the National Council for Social Security Fund and 522 Fifth Avenue Fund L.P. (collectively referred to as the "Investors"). The purchase price per share was $2.282 per share, which was the average closing price of an ordinary share on the Nasdaq Global Select Market for the 30 trading days ending on December 1, 2015. In the event that on September 1, 2016 the 15-trading day weighted average price of an ordinary share is less than $2.624, the per share purchase price will be adjusted downward 1% for each whole 1% that it is lower than such price, up to a maximum adjustment of 15%, and we will issue to the Investors such number of additional ordinary shares as is necessary so that each of the Investors will receive such number of ordinary shares in total that it would have purchased at the closing of the private placement at such lower price.

C. RESEARCH, DEVELOPMENT, PATENTS AND LICENSES, ETC.

Our research and development activities are conducted internally by a 221 person research and development staff. Research and development expenses were $22.4 million, $44.1 million and $26.4 million in the years ended December 31, 2013, 2014 and 2015, respectively. In 2015, our efforts were focused on maintaining our software products to adapt with changes to operating systems, browsers or other underlying platforms. Additionally, we continued to focus our research and development efforts on developing the new mobile advertising platform-based solutions that will offer developers (i) effective distribution tools, (ii) increased monetization capabilities, and (iii) enhanced optimization via powerful, reliable, and easy-to-use analytics.

For a discussion of our intellectual property and how we protect it, see "Business Overview—Intellectual Property" under Item 4.B above.

D. TREND INFORMATION

Industry trends expected to affect our revenues, income from continuing operations, profitability and liquidity or capital resources:

1. The digital advertising environment is becoming increasingly crowded and consumers suffer from over exposure to advertising promotions. This in turn has brought on a certain level of blindness to advertising, decreasing their effectiveness and value to advertisers. We are therefore concentrating on unique stand-out ad formats that grab the attention of consumers in the crowded advertising environment, increasing the effectiveness of the ad and ultimately the value to advertisers.

2. The digital advertising environment is becoming increasingly complex and fragmented. As a result it is increasingly difficult for advertisers, including brands and agencies, as well as investors, to discern the difference between the offerings, and requires that they maintain an excessive number of "small" relationships in order to understand and receive a comprehensive solution. We are attempting to address this need in our various revenue streams by providing robust and differentiated products. For mobile app developers, our Growmobile platform offers a holistic solution for acquiring and subsequently enhancing the engagement of app consumers. With our Undertone solution, we offer a full suite of services for the advertising brand and agency, including the entire advertising process from creative through analytic data collection and processing. In our PC monetization revenue stream, we provide the publisher a solution for, on the one hand, creating new advertising inventory, and on the other, assisting in optimizing the multiple monetization streams deployed by the web publisher.

3. Our search monetization revenue stream is predicated by a vibrant PC desktop environment, encouraging the development of downloadable software and advertising on the desktop. The transition of consumer consumption of utility and content towards mobile platforms has accelerated and, as a result, an increasing share of advertising campaigns are channeled towards mobile platforms and fewer consumer software downloadable products are being developed. To address this trend, we have shifted the growth focus of all parts of our business away from downloadable PC software. On the desktop we are focusing on monetization tools for content publishers that could also be cross-platform, accommodating mobile platforms as well. In addition, we are leveraging our data analytic capabilities and investing heavily in developing and marketing a platform that will simplify and organize the advertising process for mobile app developers.

4. In recent years the browser companies, particularly Google, as well as others, have been instituting policy changes and regulations making it increasingly difficult to change a browser's settings, including the ability to change a browser's default search settings. Changing such settings has been a major part of the Company's monetization model and until now we have been successful in overcoming these measures; however, it is becoming increasingly difficult to do so. In connection with these efforts by the browser companies, they are also making an effort to reset the applicable browser's settings back to its default setting, causing us to have to recapture our users on a more frequent basis. These activities have shortened the average lifetime we see from users utilizing our search settings. This has reduced the return on investment from our marketing and distribution efforts. Moreover, the increased frequency of changes has limited our visibility and therefore our ability to invest in customer acquisition. However, we continue to believe, as supported by the level of revenues over the last few quarters, that as the market consolidates around accepted marketing practices, there remains sufficient business. While the profit margins continued to compress, we believe they will settle at a level sufficient to generate significant revenues and profits.

5. New regulations governing the ability to download software from the major software depositories, such as the Google Store, have limited our ability to bundle search products, including toolbars and other services with other software. In the past we were successful in working around these restrictions, but this has negatively affected our distribution to some degree and caused us to find work-arounds and ways for us and our software developer partners to offer and download software from alternative sites. However, due to this environment, there are fewer and fewer software developing companies that are able to comply with these restrictions. We are therefore changing our marketing effort, more towards web content publishers and less on downloadable software.

For more information on uncertainties, demands, commitments or events that are reasonably likely to have a material effect on our business, see Item 3 "Key Information—Risk Factors."

For additional trend information, see the discussion in "Item 5.A Operating and Financial Review and Prospects – Operating Results."

E. OFF-BALANCE SHEET ARRANGEMENTS

We do not have off-balance sheet arrangements (as such term is defined by applicable SEC regulations) that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial conditions, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

F. TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The following table summarizes our contractual commitments as of December 31, 2015 and the effect those commitments are expected to have on our liquidity and cash flow in future periods.

	Payments Due by Period *(U.S. dollars in thousands)* (****)				
Contractual Commitments as of December 31, 2015	**Total**	**Less than 1 year**	**1-3 Years**	**3-5 Years**	**More than 5 Years**
Long-term debt, including current portion (*)	$ 64,950	$ 17,050	$ 9,150	$ 38,750	$ -
Accrued severance pay (**)	1,491	-	-	-	1,491
Convertible debt (*)	36,772	7,354	14,709	14,709	-
Payment obligation related to acquisitions(***)	48,970	11,970	17,000	20,000	-
Operating leases	38,632	5,953	11,784	11,782	9,114
Total	$ 190,816	$ 42,327	$ 52,643	$ 85,241321	$ 10,605

(*) Long-term debt and convertible debt obligations represent maximum repayment of principal and do not include interest payments due thereunder.

(**) Severance pay obligations to our Israeli employees, as required under Israeli labor law and as set forth in employment agreements, are payable only upon termination, retirement or death of the respective employee and are for the most part covered by ongoing payments to funds to cover such obligations. Of this amount, only $ 1,166 is unfunded.

(***) Payment obligation related to acquisitions, represents the maximum cash payments we will be obligated to make under consideration arrangements with former owners of certain entities we acquired. As of December 31, 2015 we have cash payment obligations related to acquisitions in the amount of $49,124 included on our balance sheet.

(****) The total amount of unrecognized tax benefits for uncertain tax positions was $2,367 in thousands as of December 31, 2015. Payment of these obligations would result from settlements with taxing authorities. Due to the difficulty in determining the timing of resolution of audits, these obligations are not included in the table.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. DIRECTORS AND SENIOR MANAGEMENT

The following table sets forth information regarding our executive officers and directors as of March 1, 2016:

Name	**Age**	**Position**
Alan Gelman*(1)(2)	60	Chairman of the Board
Josef Mandelbaum	49	Chief Executive Officer
Dror Erez	47	Director
Roy Gen(1)	44	Director
David Jutkowitz*(1)(3)(4)	65	External Director
Avichay Nissenbaum*(2)(3)(4)	49	External Director
Osnat Ronen*(4)	53	Director
Michael Vorhaus*(2)(3)	58	Director
Corey Ferengul	44	CEO, Undertone Business Unit
Limor Gershoni Levy	45	Senior Vice President, General Counsel
Shai Gottesdiener	39	General Manager, Growmobile Division
Yacov Kaufman	58	Chief Financial Officer
Miki Kolko	53	Chief Technology Officer
Dana Maor	49	Senior Vice President, Human Resources
Amir Nahmias	47	General Manager, CodeFuel Division
Robert Schwartz	38	Chief Strategy Officer

* "Independent director" under the NASDAQ Listing Rules.

(1) Member of the investment committee.

(2) Member of the nominating and governance committee.

(3) Member of the compensation committee.

(4) Member of the audit committee.

There are no arrangements or understandings between any of our directors or executive officers and any other person pursuant to which our directors or executive officers were selected.

Alan Gelman has been a director of the Company since August 2011 and as its Chairman of the Board since January 2016. From January 2014 until December 2015, he also served as a director of Ion Asset Management Ltd. From December 2012 through May 2013, he served as the Global CFO and Deputy CEO of Better Place Inc. (in liquidation). From 2008 to 2012, Mr. Gelman served as the Chief Financial Officer and Deputy Chief Executive Officer of Bezeq the Israeli Telecommunication Corp Ltd. (TASE: BEZQ). From 2006 to 2007, Mr. Gelman served in various positions at the Delek Group Ltd. (TASE: DELKG), including as the Deputy CEO and Chief Financial Officer from 2006 to 2007. From 2001 to 2006, Mr. Gelman served as the Chief Financial Officer of Partner Communications Company Ltd. (NASDAQ and TASE: PTNR), and from 1997 to 2000, he served as the Chief Financial Officer of Barak ITC. He holds a B.A. in Accounting from Queens College and an M.B.A. from Hofstra University. Mr. Gelman is licensed as a Certified Public Accountant in New York (inactive) and in Israel.

Josef Mandelbaum has been the Chief Executive Officer of the Company since July 2010 and served as a director from January 2011 to January 2014. From 1995 to 2010, Mr. Mandelbaum served in various positions at American Greetings Corporation (NYSE: AM), including as Chief Executive Officer of the AG Intellectual Properties group, from 2000 to 2010 and as Senior Vice President of the Sales and Business Development of the AG Interactive group, from 1998 to 2000. Mr. Mandelbaum holds a B.A. in Economics from Yeshiva University and an M.B.A. from the Weatherhead School of Management at Case Western Reserve University.

Dror Erez has been a director of the Company since January 2014. In 2005, Mr. Erez co-founded Conduit and has served as its Chief Technology Officer until January 2014, when he became Conduit's President. Mr. Erez is also a member of the Conduit board of directors. Prior to founding Conduit, he served in various executive roles in private technology companies. He holds a B.A. in Physics and Computer Science from Bar Ilan University.

Roy Gen has been a director of the Company since January 2014. Since 2008, he serves as the Chief Financial Officer of Conduit. Prior to joining Conduit, Mr. Gen served in various executive roles in private technology companies. He is an Israeli Certified Public Accountant and holds a B.A. in Economics and Accounting from Tel Aviv University, as well as an M.B.A. from the Recanati School of Business Administration at Tel Aviv University.

David Jutkowitz has been an external director of the Company since December 2007, and in September 2013, he was reelected to serve a third three-year term. Mr. Jutkowitz serves as a director of Extal Ltd., and of King Engine Bearings Ltd. From 2006 to 2010, Mr. Jutkowitz served as a director of Arad Investment and Industrial Development Ltd. (TASE: ARAD), and from 2001 to October 2007, Mr. Jutkowitz served as an external director of Carmel Investment Group Ltd., and as a member of the audit, investment and portfolio committees of Carmel Investment Group Ltd. From 2000 to 2003, Mr. Jutkowitz served as the Chief Executive Officer of BXS Ltd. From 1995 to 2002, Mr. Jutkowitz served as the Chief Executive Officer of E.L. Advanced Science Ltd. From 1976 to 2001, Mr. Jutkowitz served as the Chief Financial Officer of Etz Lavud Ltd..

Avichay Nissenbaum has been an external director of the Company since July 2009, and in August 2015, he was reelected to serve a third three-year term. In 2012, Mr. Nissenbaum co-founded Lool Ventures L.P. and has since served as its general partner. In 2006, Mr. Nissenbaum co-founded Yedda, Inc., which was acquired by AOL, Inc. (NYSE: AOL) in November 2007. He served as Yedda's Chief Executive Officer from 2006 to 2011. In 1996, Mr. Nissenbaum co-founded SmarTeam Corporation Ltd., which was acquired by Dassault Systems, S.A. in 1999. From 1996 to 2005, Mr. Nissenbaum served in various positions at SmarTeam, including as VP Product, Executive VP Sales, Marketing and Business Development. Mr. Nissenbaum serves as a director of Tipa-Corp Ltd., as well as certain portfolio companies of Lool Ventures, including Zooz Ltd., Familio Technologies Ltd., Online Permission Technologies, Mediasafe, Sensibo Ltd., Shopial Ltd. Farm Dog Inc., Dbmaestro, Lawgeek and Mabaya. Mr. Nissenbaum also serves as a director of "leaders of the Future" NPO. Mr. Nissenbaum holds a B.Sc. in Computer Science and a B.A. in Economics, both from Bar-Ilan University.

Osnat Ronen has been a director since December 2015. Ms. Ronen founded FireWind PE in 2015 and has since served as its general partner. Ms. Ronen has also served as an advisor to Liquidnet since 2013. From January 2008 to March 2013, she served as a general partner of Viola Private Equity. From 1994 to 2007, Ms. Ronen served in various positions at Bank Leumi Le Israel B.M. (TASE: LUMI), including as the Deputy Chief Executive Officer of Leumi Partners Ltd. from 2001 to 2007 and as Deputy Head of the Subsidiaries Division of the Leumi Group from 1999 to 2001. Ms. Ronen currently serves as a director of Mizrahi Tefahot Bank Ltd. (TASE: MZTF), Fox-Wizel Ltd. (TASE: FOX) and Partner Communications Company Ltd. (NASDAQ and TASE: PTNR). She also volunteers as a director of the College for Management and Yissum Research Development Company of the Hebrew University of Jerusalem. Ms. Ronen has also served as a director of several portfolio companies of Viola, including: AmiadWater Systems Ltd. (AIM: AFS), Orad Hi-Tec Systems Ltd., Aeronautics Ltd., Degania Medical Ltd. and MatomyMedia Group Ltd. (LSE: MTMY). Ms. Ronen holds a B.Sc. in mathematics and computer science from Tel Aviv University, as well as an M.B.A. from the Recanati School of Business Administration at Tel Aviv University.

Michael Vorhaus has been a director of the Company since April 2015. Since 1994, he has served as President of Frank N. Magid Associates, Inc., a research-based strategic consulting firm. From 1994 to 2008, he served as its Senior Vice President and Managing Director and since 2008 he has served as the President of Magid Advisor, a unit of Magid Associates. From 2013-2014, Mr. Vorhaus served as a director of Grow Mobile. In 1987, he founded Vorhaus Investments. Mr. Vorhaus holds a B.A. in Psychology from Wesleyan University and completed the Management Development Program at the University of California, Berkeley's Haas School of Business.

Corey Ferengul has been the CEO of our Undertone business unit since December 2015, when we acquired Undertone, and Chief Executive Officer of Undertone since June 2014. Mr. Ferengul served as the Chief Operating Officer of Undertone from 2013 to June 2014. From 2011 to 2012, Mr. Ferengul served as Executive Vice President of Product at Rovi Corporation (formerly, Macrovision Solutions Corp). From 2006 to 2012, Mr. Ferengul served as an Executive Vice President of Marketing and Solutions of Macrovision Solutions Corp. From 1999 to 2004, Mr. Ferengul served as Senior Vice President, Director of Enterprise System Management and Analyst at The META Group. From 1993 to 1999, he served as Director of Product Integration/Product Manager of PLATINUM Technology. He serves as a Member of the boards of Simple Relevance and PackBack Books. Mr. Ferengul received a B.Sc. in Marketing from Illinois State University.

Limor Gershoni Levy has been the Senior Vice President, General Counsel and Corporate Secretary of the Company since January 2011. From 2003 to 2010, Ms. Gershoni Levy served as General Legal Counsel at Veraz Networks Inc., a company which was listed on NASDAQ (VRAZ) prior to its merger in 2010 with Dialogic Inc. (NASDAQ: DLGC). From 2000 to 2003, Ms. Gershoni-Levy served as the General Counsel at Medigate Ltd. Ms. Gershoni-Levy holds an L.L.B in Law from Essex University, England and an L.L.M. from Tel Aviv University Law School.

Shai Gottesdiener has been our General Manager of the Growmobile division of the Company since January 2015. From July 2013 until December 2014, Mr. Gottesdiener was our CTO. From 2009 until 2013, Mr. Gottesdiener worked at 888, where he served as its Vice President of R&D. Between 2000-2009, Mr. Gottesdiener held various positions in Matrix, including its Development Subdivision Manager. Mr. Gottesdiener holds a B.A. in Logistics and Computer Science from Bar-Ilan University.

Yacov Kaufman has been the Chief Financial Officer of the Company since November 2005. From 1996 to November 2005, Mr. Kaufman served as the Chief Financial Officer of Acorn Energy Inc. (formerly Data Systems & Software Inc., NASDAQ: ACFN). From 1986 to 1996, Mr. Kaufman served in various positions at dsIT Technologies Ltd., a subsidiary of Acorn, including as its Chief Financial Officer, from 1990 to 1996, and as its comptroller, from 1986 to 1990. From 1993 to 1999, Mr. Kaufman served as a director of Tower Semiconductor Ltd. (NASDAQ: TSEM). Mr. Kaufman is an Israeli Certified Public Accountant and holds a B.A. in Accounting and Economics from the Hebrew University of Jerusalem and an M.B.A. in Business Finance from Bar-Ilan University.

Miki Kolko has been our Chief Technology Officer since January 2015. From 2012 to 2014 Mr. Kolko served as the Company VP of the Data Services Group. Previously, Mr. Kolko served as vice president of data at LivePerson (NASDAQ:LSPN), a global leader of digital engagement technology. Prior to his work at LivePerson, Mr. Kolko served in various engineering executive management positions and was a founder and chief technology officer of 3 startups in enterprise software and Internet B2C. Mr. Kolko holds a M.Sc. in computer science from Tel Aviv University and a B.A. in mathematics and computer science from Bar Ilan University.

Dana Maor has been our Senior Vice President of Human Resources since September 2013. From 2008 to 2013, Ms. Maor served as a Global Vice President of Human Resources at Frutarom Industries. From 2005 to 2008, Ms. Maor served as Vice President of Human Resources of Radvision (currently an Avaya Company). From 2003 to 2005, Ms. Maor served as an independent human resources consultant for high-tech and start-up companies. Prior thereto, she served for almost six years at Amdocs as a divisional Human Resources Vice President and for three years at Telradin the Technology Division as a Human Resources Manager. Ms. Maor Holds a B.A in Psychology and Criminology and an M.A. in Industrial and Social Psychology, both from Bar Ilan University.

Amir Nahmias has been the General Manager of our CodeFuel division since December 2014. From March 2008 until December 2013, Mr. Nahmias served as Vice President of Publishers at Conduit Ltd. Between January 2014 and December 2014, Mr. Nahmias served as a Vice President of Sales and Partnerships in our Codefuel division.

Robert Schwartz has been our Chief Strategy and Development Officer since December 2015. From October 2012 to November 2015, he was the Senior Vice President of Corporate Strategy and Business Development of Undertone. From 2010 to 2012, Mr. Schwartz was the Vice President of Strategy and Corporate Development at the Topps Company. From 2007 to 2010, Mr. Schwartz was a management consultant at Bain & Company, serving clients in the media and entertainment, consumer goods, and industrial industries. He has also held strategy and operating roles at PepsiCo and IBM. Mr. Schwartz holds a B.A. in Government from Harvard College and an M.B.A. from Harvard Business School.

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

B. COMPENSATION

The aggregate direct compensation we paid to our officers as a group (9 persons) for the year ended December 31, 2015, was approximately $7.9 million, which included approximately $0.2 million that was set aside or accrued to provide for pension, retirement, severance or similar benefits. This amount includes bonuses paid to our officers pursuant to our executive bonus plan based on company performance measures, in accordance with our Compensation Policy for Directors and Officers. This amount does not include expenses we incurred for other payments, including dues for professional and business associations, business travel and other expenses, and other benefits commonly reimbursed or paid by companies in Israel. We did not pay our officers who also serve as directors any separate compensation for their directorship during 2015.

The aggregate compensation we paid to our directors who are not officers for their services as directors as a group for the year ended December 31, 2015 was approximately $0.3 million. In addition, our directors are reimbursed for expenses incurred in order to attend board or committee meetings.

In the year ended December 31, 2015, we granted (i) options to purchase 757,500 ordinary shares to our directors and officers, at a weighted average exercise price of $ 3.14 per share, and the latest expiration date for such options is December 2020, and (ii) performance base options to purchase 2,200,000 ordinary shares to our officers and senior employees at an exercise price of $2.28 per share, and expiration date is November 2020. These options were granted under our Equity Incentive Plan, as amended, formerly known as the 2003 Israeli Share Option Plan (the "Incentive Plan").

In 2015, we paid each of our directors $40,000 per year, subject to adjustment for changes in the Israeli consumer price index and applicable changes in the Israeli regulations governing the compensation of external directors. Each of our directors also received an annual grant of options to purchase 10,000 ordinary shares under the Incentive Plan. Each option is exercisable for a term of five years at an exercise price per share equal to the closing price of our ordinary shares on the date of the annual meeting of shareholders on which such option was granted, as reported by the NASDAQ Stock Market. The options vest in three equal installments on each anniversary of date of grant. Following termination or expiration of the applicable director's service with the Company, provided that the termination or expiration is not for "cause" and is not a result of the director's resignation, the options would retain their original expiration dates and, with respect to each grant, the upcoming tranche of options that are scheduled to vest immediately subsequent to the termination date, if any, will automatically vest and become exercisable. All unvested options held by the director will automatically vest and become exercisable upon a change of control of the Company, which is defined for this purpose as (i) a merger, acquisition or reorganization of the Company with one or more other entities in which the Company is not the surviving entity, (ii) a sale of all or substantially all of the assets of the Company; (iii) a transaction or a series of related transactions as a result of which more than 50% of the outstanding shares or the voting rights of the Company are beneficially owned by one person or group (as defined in the SEC rules). At our annual meeting of shareholders held on December 31, 2015, our directors' compensation was increased to $50,000 per year and an annual grant of options to purchase 25,000 ordinary shares, on the terms set forth above.

The table below reflects the compensation granted to our five most highly compensated office holders during or with respect to the year ended December 31, 2015. We refer to the five individuals for whom disclosure is provided herein as our "Covered Executives."

For purposes of the table below, "compensation" includes salary cost, bonuses, equity-based compensation, retirement or termination payments, benefits and perquisites such as car, phone and social benefits and any undertaking to provide such compensation. All amounts reported in the table are in terms of cost to the Company, as recognized in our financial statements for the year ended December 31, 2015, including the compensation paid to such Covered Executive following the end of the year in respect of services provided during the year. Each of the Covered Employees was covered by our D&O liability insurance policy and was entitled to indemnification and exculpation in accordance with applicable law and our articles of association. All numbers below are in US Dollars in thousands.

Name and Principal Position [1]	Salary Cost [2]	Bonus [3]	Equity-Based Compensation [4]	Total
Josef Mandelbaum, CEO	637	315	1,793	2,745
Amir Nahmias, General Manager, CodeFuel Division	496	438	626	1,560
Yacov Kaufman, CFO	407	120	565	1,092
Shai Gottesdiener, General Manager, Growmobile Division	313	109	307	729
Limor Gershoni Levy, Senior Vice President, General Counsel	239	80	339	658

(1) Unless otherwise indicated herein, all Covered Executives are employed on a full-time (100%) basis.

(2) Salary cost includes the Covered Executive's gross salary plus payment of social benefits made by the Company on behalf of such Covered Executive. Such benefits may include, to the extent applicable to the Covered Executive, payments, contributions and/or allocations for savings funds (*e.g.*, Managers' Life Insurance Policy), education funds (referred to in Hebrew as "*keren hishtalmut*"), pension, severance, risk insurances (*e.g.*, life, or work disability insurance), payments for social security and tax gross-up payments, vacation, car, medical insurances and benefits, phone, convalescence or recreation pay and other benefits and perquisites consistent with the Company's policies.

(3) In addition, salary cost annual bonuses granted to the Covered Executives based on formulas set forth in the annual compensation plan approved by the Board of Directors.

(4) Represents the equity-based compensation expenses recorded in our consolidated financial statements for the year ended December 31, 2015. Such numbers are based on the option or RSU grant date fair value in accordance with accounting guidance for equity-based compensation and does not necessarily reflect the cash proceeds to be received by the applicable officer upon the vesting and sale of the underlying shares. For a discussion of the assumptions used in reaching this valuation, see Note 2 to our Financial Statements.

Compensation Terms of our Chief Executive Officer

Josef Mandelbaum, our Chief Executive Officer since July 2010, is currently entitled to a base salary of ILS 140,000 per month. He is entitled to an annual salary increase at a rate equal to the average rate of the increase in annual salaries of our senior management in the applicable year. In addition, Mr. Mandelbaum is entitled to an annual bonus equal to up to 50% of his base salary, subject to our meeting our annual targets for revenue and EBIT set by our Board of Directors. Half of the bonus depends on meeting the revenue target and half on meeting the EBIT target.

We granted to Mr. Mandelbaum 200,000 RSUs on November 18, 2013 and 232,400 RSUs on January 2, 2014. These RSUs were granted under the Incentive Plan and have a purchase price of ILS 0.01 per share. They vest over a period of three years, subject to continued employment, with 20% of each grant vesting on the first anniversary of the applicable grant date, 30% on the second anniversary and 50% on the third anniversary.

Mr. Mandelbaum's employment agreement does not provide for a specified term and may be terminated by either party. If we terminate his employment, we are required to provide him with twelve months' notice. If Mr. Mandelbaum resigns, he must provide us with six months' notice, during which time his employment would continue in accordance with the terms of his employment agreement, provided, however, we may determine to reduce such period to three months, during which time Mr. Mandelbaum would not be obligated to continue his employment. During the notice period, Mr. Mandelbaum would be entitled to all payments and benefits pursuant to his then-current compensation terms, including continued vesting of any equity-based awards. As required by Israeli law, we will also remit severance payment to Mr. Mandelbaum in an amount equal to one month's salary for each year of employment with us. Such amount of severance payment will be payable even if he resigns. In the event that Mr. Mandelbaum resigns, his vested options will be exercisable for one year from the termination date, the amount of unvested options equal to the pro rata options (as such term is defined in Mr. Mandelbaum's option agreement) will become vested. In the event that Mr. Mandelbaum's employment is terminated by us without "cause" (as defined in the Incentive Plan), his vested options will be exercisable until the expiration date thereof and the amount of unvested options equal to the pro rata options (as such term is defined in Mr. Mandelbaum's option agreement) will become vested.

Mr. Mandelbaum also receives certain additional benefits, such as a company car, health insurance, life insurance and a mobile phone. Mr. Mandelbaum has agreed not to compete with us during his term of employment and for a period of 180 days thereafter. His employment agreement also contains customary confidentiality and intellectual property assignment provisions.

We also have employment agreements with our other executive officers. These agreements do not contain any change of control provisions and otherwise contain salary, benefit and non-competition provisions that we believe to be customary in our industry.

C. BOARD PRACTICES

Corporate Governance Practices

We are incorporated in Israel and therefore are subject to various corporate governance practices under the Companies Law, relating to such matters as external directors, the audit committee, the internal auditor and approvals of interested party transactions. These matters are in addition to the ongoing listing conditions of NASDAQ and other relevant provisions of U.S. securities laws. Under the NASDAQ Listing Rules, a foreign private issuer may generally follow its home country rules of corporate governance in lieu of the comparable NASDAQ requirements, except for certain matters such as composition and responsibilities of the audit committee. For further information, see "Item 16.G – Corporate Governance."

NASDAQ Requirements

Under the NASDAQ Listing Rules, a majority of our directors are required to be "independent directors" as defined in the NASDAQ Listing Rules. Four out of the seven members of our board of directors, Alan Gelman, David Jutkowitz, Avichay Nissenbaum and Osnat Ronen are independent directors under the NASDAQ requirements.

We are also required by the NASDAQ Listing Rules to have an audit committee, all of whose members must satisfy certain independence requirements.

The NASDAQ Listing Rules require that director nominees be selected or recommended for the board's selection either by a committee composed solely of independent directors or by a majority of the independent directors on the board, subject to limited exceptions. Pursuant to such an exception, our nominating and governance committee is currently composed of a majority of independent directors.

See Item "16.G – Corporate Governance" for exemptions that we have taken from certain NASDAQ Listing Rule requirements.

Israeli Companies Law

Board of Directors

According to the Companies Law and our articles of association, our board of directors is responsible, among other things, for:

- establishing our policies and overseeing the performance and activities of our chief executive officer;
- convening shareholders' meetings;
- approving our financial statements;
- determining our plans of action, principles for funding them and the priorities among them, our organizational structure and examining our financial status; and
- issuing securities and distributing dividends.

Our board of directors may exercise all powers and may take all actions that are not specifically granted to our shareholders. Our board of directors also appoints and may remove our chief executive officer and may appoint or remove other executive officers, subject to any rights that the executive officers may have under their employment agreements.

Our board of directors currently consists of seven directors, two of whom qualify as "external directors" under Israeli law and have also been determined by our board of directors to qualify as "independent directors" for the purpose of the NASDAQ Listing Rules. Other than external directors, who are subject to special election requirements under Israeli law, our directors are elected in three staggered classes by the vote of a majority of the ordinary shares present and entitled to vote at meetings of our shareholders at which directors are elected. The members of only one staggered class will be elected at each annual meeting for a three-year term, so that the regular term of only one class of directors expires annually. Our annual meeting of shareholders is required to be held at least once during every calendar year and not more than fifteen months after the last preceding meeting. At our 2015 annual meeting of shareholders, held on December 31, 2015, Mr. Roy Gen and Ms. Osnat Ronen was each elected as a director for a three-year term. At an extraordinary general meeting of our shareholders, held on August 24, 2015, Mr. Avichay Nissenbaum was reelected to serve as an external director for a third three-year term and Mr. Michael Vorhaus was elected as a director for a three-year term. At our 2014 annual meeting of shareholders, held on December 9, 2014, the three-year term of Ms. Iris Beck expired and no directors were elected. At our 2013 annual meeting of shareholders, held on September 2, 2013, Mr. Josef Mandelbaum and Mr. Alan Gelman was each elected as a director for a three-year term. In connection with the closing of the ClientConnect Acquisition on January 2, 2014, Mr. Dror Erez replaced Mr. Mandelbaum as a director and Mr. Roy Gen replaced Ms. Adi Soffer Teeni as a director. At our 2012 annual meeting of shareholders, held on September 27, 2012, Ms. Adi Soffer Teeni was elected as a director for a three-year term. At our 2013 annual meeting of shareholders, held on September 2, 2013, Mr. David Jutkowitz was reelected to serve as an external director for a third three-year term. The external directors are not assigned to a class and are elected in accordance with the Companies Law.

If the number of directors constituting our board of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, but in no case will a decrease in the number of directors constituting our board of directors reduce the term of any then current director.

Our board of directors may appoint any other person as a director, whether to fill a vacancy or as an addition to the then current number of directors, provided that the total number of directors shall not at any time exceed seven directors. Any director so appointed shall hold office until the annual meeting of shareholders at which the term of his class expires, unless otherwise determined by our board of directors. There is no limitation on the number of terms that a non-external director may serve.

Shareholders may remove a non-external director from office by a resolution passed at a meeting of shareholders by a vote of the holders of more than two-thirds of our voting power.

A resolution proposed at any meeting of our board of directors is deemed adopted if approved by a majority of the directors present and voting on the matter. Under the Companies Law, our board of directors must determine the minimum number of directors having financial and accounting expertise, as defined in the regulations that our board of directors should have. In determining the number of directors required to have such expertise, the board of directors must consider, among other things, the type and size of the company and the scope and complexity of its operations. Our board of directors has determined that we require at least one director with the requisite financial and accounting expertise and that Mr. David Jutkowitz has such expertise.

Under the Companies Law, the chairperson of the board of a company is not permitted to hold another position in the company or a subsidiary thereof other than chairperson or director of a subsidiary or, if approved by a special majority of shareholders, chief executive officer of the company.

External Directors

Under the Companies Law, Israeli companies whose shares have been offered to the public in or outside of Israel are required to appoint at least two individuals to serve as external directors. Our external directors under the Companies Law are Mr. Avichay Nissenbaum, whose third three-year term commenced on September 27, 2015, and Mr. David Jutkowitz, whose third three-year term commenced on September 2, 2013.

External directors are required to possess independence and professional qualifications as set out in the Companies Law and regulations promulgated thereunder. Each committee of a company's board of directors that is authorized to exercise any powers of the board of directors is required to include at least one external director. The audit committee and the compensation committee must include all the external directors.

External directors are elected by a majority vote at a shareholders' meeting, as long as either:

- the majority of shares voted on the matter, including at least a majority of the shares of non-controlling shareholders voted on the matter, vote in favor of election; or

- the total number of shares of non-controlling shareholders voted against the election of the external director does not exceed two percent of the aggregate voting rights in the company.

The initial term of an external director is three years and such director may be reappointed for up to two additional three-year terms. Thereafter, he or she may be reelected by our shareholders for additional periods of up to three years each only if the audit committee and the board of directors confirm that, in light of the external director's expertise and special contribution to the work of the board of directors and its committees, the reelection for such additional period is beneficial to us. Reelection of an external director may be effected through one of the following mechanisms: (1) the board of directors proposed the reelection of the external director and the election was approved by the shareholders by the majority required to appoint external directors for their initial term; or (2) a shareholder holding 1% or more of the voting rights or the external director proposed the reelection of the external director, and the reelection is approved by a majority of the votes cast by the shareholders of the company, excluding the votes of controlling shareholders and those who have a personal interest in the matter as a result of their relations with the controlling shareholders, provided that the aggregate votes cast in favor of the reelection by such non-excluded shareholders constitute more than 2% of the voting rights in the company. An external director may be removed only in a general meeting, by the same percentage of shareholders as is required for electing an external director, or by a court, and in both cases only if the external director ceases to meet the statutory qualifications for appointment or if he or she has violated the duty of loyalty to us.

An external director is entitled to compensation as provided in regulations under the Companies Law and is otherwise prohibited from receiving any other compensation, directly or indirectly from us. We do not have, nor do our subsidiaries have, any directors' service contracts granting to the directors any benefits upon termination of their service in their capacity as directors.

Committees of the Board of Directors

Our board of directors has established an audit committee, a compensation committee, an investment committee and a nominating and governance committee.

Audit Committee

Our audit committee is comprised of Mr. David Jutkowitz (Chairman), Mr. Avichay Nissenbaum and Ms. Osnat Ronen, and operates pursuant to a written charter.

NASDAQ Requirements

Under the listing requirements of the NASDAQ Stock Market, a foreign private issuer is required to maintain an audit committee that has certain responsibilities and authority. The NASDAQ Listing Rules require that all members of the audit committee must satisfy certain independence requirements. We have adopted an audit committee charter as required by the NASDAQ Listing Rules. Our audit committee assists the board of directors in fulfilling its responsibility for oversight of the quality and integrity of our accounting, auditing and financial reporting practices and financial statements. Our audit committee is also responsible for the establishment of policies and procedures for review and pre-approval by the committee of all audit services and permissible non-audit services to be performed by our independent auditor, in order to ensure that such services do not impair our auditor's independence. For more information see Item "16.C – Principal Accountant Fees and Services." Under the NASDAQ Listing Rules, the approval of the audit committee is also required to effect related-party transactions that would be required to be disclosed in our annual report.

Companies Law Requirements

Under the Companies Law, the board of directors of a public company must establish an audit committee. The audit committee must consist of at least three directors who meet certain independence criteria and must include all of the external directors. The chairperson of the audit committee must be an external director. The responsibilities of the audit committee under the Companies Law include to identify and address problems in the management of the company, review and approve interested party transactions, establish whistleblower procedures and procedures for considering controlling party transactions and oversee the company's internal audit system and the performance of the internal auditor.

Compensation Committee

Our compensation committee is comprised of Mr. David Jutkowitz (Chairman), Mr. Michael Vorhaus and Mr. Avichay Nissenbaum, all of whom satisfy the respective "independence" requirements of the Companies Law, SEC and NASDAQ Listing Rules for compensation committee members. Our compensation committee meets at least once each quarter, with additional special meetings scheduled when required.

Our compensation committee is authorized to, among other things, review, approve and recommend to our board of directors base salaries, incentive bonuses, including the specific goals and amounts, stock option grants, employment agreements, and any other benefits, compensation or arrangements of our executive officers and directors. Pursuant to the Companies Law, our compensation committee must be comprised of at least three directors, include all of the external directors, its other members must satisfy certain independence standards under the Companies Law, and the chairman is required to be an external director. In addition, our compensation committee is required to propose for shareholder approval by a special majority, a compensation policy governing the compensation of office holders based on specified criteria, to review, from time to time, modifications to the compensation policy and examine its implementation; and to approve the actual compensation terms of office holders prior to approval thereof by the board of directors. Our shareholders approved our Compensation Policy for Directors and Officers on November 18, 2013. Our compensation committee also oversees the administration of our equity based incentive plan**.**

Investment Committee

Our investment committee is comprised of Mr. Alan Gelman (Chairperson), Mr. David Jutkowitz, and Mr. Roy Gen. The Investment Committee is responsible for formulating the overall investment policies of the Company, and establishing investment guidelines in furtherance of those policies. The Committee monitors the management of the portfolio for compliance with the investment policies and guidelines and for meeting performance objectives over time as well as assist the board of directors in fulfilling its oversight responsibility for the investment of assets of the company.

Nominating and Governance Committee

Our nominating and governance committee is comprised of Mr. Alan Gelman (Chairperson), Mr. Michael Vorhaus, and Mr. Avichay Nissenbaum, and operates pursuant to a written charter. It is responsible for making recommendations to the board of directors regarding candidates for directorships and the size and composition of the board. In addition, the committee is responsible for overseeing our corporate governance guidelines and reporting and making recommendations to the board concerning corporate governance matters. Under the Companies Law, the nominations for director are generally made by our directors but may be made by one or more of our shareholders. However, any shareholder or shareholders holding at least 5% of the voting rights in our issued share capital may nominate one or more persons for election as directors at a general meeting only if a written notice of such shareholder’s intent to make such nomination or nominations has been given to our secretary and each such notice sets forth all the details and information as required to be provided under our articles of association.

Internal Auditor

Under the Companies Law, the board of directors of a public company must appoint an internal auditor nominated in accordance with the audit committee’s recommendation. The role of the internal auditor is to examine whether a company’s actions comply with the law and proper business procedure. The internal auditor may be an employee of the company employed specifically to perform internal audit functions but may not be an interested party or office holder, or a relative of any interested party or office holder, and may not be a member of the company’s independent accounting firm or its representative. The Companies Law defines an interested party as a substantial shareholder of 5% or more of the shares or voting rights of a company, any person or entity that has the right to nominate or appoint at least one director or the general manager of the company or any person who serves as a director or as the general manager of a company. The internal auditor’s term of office shall not be terminated without his or her consent, nor shall he or she be suspended from such position unless the board of directors has so resolved after hearing the opinion of the audit committee and after giving him or her a reasonable opportunity to present his or her position to the board and to the audit committee. Our internal auditor is Mrs. Linur Dloomy, CPA, of Brightman Almagor Zohar & Co., a member of Deloitte Touche Tohmatsu.

D. EMPLOYEES

The breakdown of our employees by department as of the end of each of the past three fiscal years is as follows:

	December 31,		
	2013	**2014**	**2015**
Management and administration	55	97	128
Support	-	19	20
Research and development	173	217	221
Selling and marketing	66	106	277
Total	203	439	646

As of December 31, 2015, 308 of our employees were located in Israel, 55 of our employees were located in Europe and 283 employees were located in the United States.

In Israel we are subject to certain labor statutes and national labor court precedent rulings, as well as to some provisions of the collective bargaining agreement between the Histadrut, which is the General Federation of Labor in Israel, and the Coordination Bureau of Economic Organizations, including the Industrialist's Association of Israel. These provisions of collective bargaining agreements apply to our Israeli employees by virtue of extension orders issued in accordance with relevant labor laws by the Israeli Ministry of Economy, and which apply such agreement provisions to our employees even though they are not directly part of a union that has signed a collective bargaining agreement. The laws and labor court rulings that apply to our employees principally concern minimum wage laws, procedures for dismissing employees, determination of severance pay, leaves of absence (such as annual vacation or maternity leave), sick pay and other conditions for employment. The extension orders which apply to our employees principally concern the requirement for the length of the workday and the work-week, annual recuperation pay and commuting expenses, compensation for working on the day before and after a holiday and payments to pension funds and other conditions for employment. Furthermore, these provisions provide that the wages of most of our employees are adjusted automatically. The amount and frequency of these adjustments are modified from time to time. Additionally, we are required to insure all of our employees by a comprehensive pension plan or a managers' insurance according to the terms and the rates detailed in the order. In addition, Israeli law determines minimum wages for workers, minimum paid leave or vacation, sick leave, working hours and days of rest, insurance for work-related accidents, determination of severance pay, the duty to give notice of dismissal or resignation and other conditions of employment. In addition, certain laws prohibit or limit the employer's ability to dismiss its employees in special circumstances. We have never experienced a work stoppage, and we believe our relations with our employees are good.

Israeli law generally requires the payment of severance by employers upon the retirement or death of an employee or upon termination of employment by the employer or, in certain circumstances, by the employee. Most of our agreements with employees in Israel are in accordance with Section 14 of the Severance Pay Law, 1963 ("Section 14"), where our contributions for severance pay are paid in lieu of any severance liability. Upon contribution of the full amount of the employee's monthly salary, and release of the policy to the employee, no additional severance payments are required to be made by us to the employee. Additionally, the related obligation and amounts deposited pursuant to such obligation are not stated on the balance sheet, as we are legally released from any obligation to employees once the deposit amounts have been paid. Our liability for severance pay to employees not under Section 14 is calculated pursuant to Israel's Severance Pay Law based on the employees' most recent monthly salaries, multiplied by the number of years of their employment, or a portion thereof, as of the balance sheet date. This liability is provided for by monthly deposits into accounts for the benefit of the employees and by an accrual. The deposited funds include profits (losses) accumulated up to the balance sheet date. As of December 31, 2015, our net accrued unfunded severance obligations totaled $1.2 million.

Furthermore, Israeli employees and employers are required to pay predetermined sums to the National Insurance Institute, which covers, amongst other benefits, payments for state retirement benefits and survivor benefits (similar to the United States Social Security Administration), as well as state unemployment benefits. These amounts also include payments for national health insurance. The payments to the National Insurance Institute can equal up to approximately 18.5% of wages subject to a cap if an employee's monthly wages exceed a specified amount, of which the employee contributes approximately 12% and the employer contributes approximately 6.75%.

E. SHARE OWNERSHIP

Security Ownership of Directors and Executive Officers

The following table sets forth information regarding the beneficial ownership of our ordinary shares as of

March 1, 2016 by all of our directors and executive officers as a group and by each officer and director who beneficially owns 1% or more of our outstanding ordinary shares.

Beneficial ownership of shares is determined in accordance with the rules of the SEC and generally includes any shares over which a person exercises sole or shared voting or investment power. Ordinary shares that are subject to warrants, RSUs or stock options that are vested or will vest within 60 days of a specified date are deemed to be outstanding and beneficially owned by the person holding the stock options for the purpose of computing the percentage ownership of that person, but are not treated as outstanding for the purpose of computing the percentage of any other person.

Except as indicated in the footnotes to this table, each shareholder in the table has sole voting and investment power for the shares shown as beneficially owned by them. Percentage ownership is based on 76,322,085 ordinary shares outstanding as of March 1, 2016.

Name	Number of Ordinary Shares Beneficially Owned	Percentage of Ordinary Shares Outstanding
Dror Erez (1)	9,175,642	12.0%
All directors and officers as a group (16 persons) (2)	10,188,211	13.2%

(1) Based upon information provided to us by Mr. Erez. Includes options to purchase 9,999 ordinary shares, that are vested or will vest, within 60 days of March 1, 2016.

(2) Includes options and RSUs to purchase 606,365 ordinary shares, that are vested or will vest within 60 days of March 1, 2016.

Employee Benefit Plans

The Incentive Plan, our current equity incentive plan, was initially adopted in 2003, providing certain tax benefits in connection with share-based compensation under the tax laws of Israel and the United States. The term of the Incentive Plan will expire on December 9, 2022. Please also see Note 11 to our Financial Statements for information on the options issued under the Incentive Plan.

Under the Incentive Plan, as amended from time to time, we may grant to our directors, officers, employees, consultants, advisers, service providers and controlling shareholders options to purchase our ordinary shares, restricted shares and RSUs. As of December 31, 2015, a total of 9,709,657 ordinary shares were subject to the Incentive Plan. As of March 1, 2016, RSUs and options to purchase a total of 9,687,029 ordinary shares were outstanding under our Incentive Plan, of which RSUs and options to purchase a total of 3,976,691 ordinary shares were held by our directors and officers (16 persons) as a group. The outstanding RSUs have a purchase price of ILS 0.01 per share, and outstanding options are exercisable at purchase prices which range from $0.34 to $13.54 per share. Any expired or cancelled options are available for reissuance under the Incentive Plan.

Our Israeli employees and directors may be granted awards under Section 102 ("Section 102") of the Israeli Income Tax Ordinance (the "Tax Ordinance"), which provides them with beneficial tax treatment, and non-employees (such as service providers, consultants and advisers) and controlling shareholders may only be granted awards under another section of the Tax Ordinance, which does not provide for similar tax benefits. To be eligible for tax benefits under Section 102, the securities must be issued through a trustee, and if held by the trustee for the minimum required period, the employees and directors are entitled to defer any taxable event with respect to the award until the earlier of (i) the transfer of securities from the trustee to the employee or director or (ii) the sale of securities to a third party. Our board of directors has resolved to elect the "Capital Gains Route" (under Section 102) for the grant of awards to Israeli grantees under the Incentive Plan. Based on such election, and subject to the fulfillment of the conditions of Section 102, under the Capital Gains Route, gains realized from the sale of shares issued pursuant to the Incentive Plan will generally be taxed at the capital gain rate of 25%, provided the trustee holds the securities for 24 months following the date of grant of the award. To the extent that the market price of the ordinary shares at the time of grant exceeds the exercise price of the award or if the conditions of Section 102 are not met, tax will be payable at the time of sale at the marginal income tax rate applicable to the employee or director (up to 50% in 2015). We are not entitled to recognize a deduction for Israeli tax purposes on the capital gain recognized by the award holder upon the sale of shares pursuant to Section 102. The voting rights of any shares held by the trustee under Section 102 remain with the trustee.

The Incentive Plan contains a U.S. addendum that provides for the grant of awards to U.S. citizens and resident aliens of the United States for U.S. tax purposes. Pursuant to the approval of our board of directors and shareholders, stock options granted to U.S. citizens and resident aliens may be either incentive stock options under the U.S. Internal Revenue Code of 1986, as amended (the "Code") or options that do not qualify as incentive stock options. Subject to the fulfillment of the conditions of the Code, an incentive stock option may provide tax benefits to the holder in that it converts ordinary income into income taxed at long-term capital gain rates and defers the tax until the sale of the underlying share. In that event, we would not recognize a tax deduction with respect to such capital gain.

Our board of directors has the authority to administer, and to grant awards, under the Incentive Plan. However, the compensation committee appointed by the board provides recommendations to the board with respect to the administration of the plan. Generally, RSUs and options granted under the Incentive Plan vest in two or three installments on each anniversary of the date of grant.

See "Item 6.B Compensation" for a description of awards granted under the Incentive Plan to our directors and officers in 2013.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. MAJOR SHAREHOLDERS

The following table sets forth information regarding the beneficial ownership of our ordinary shares as of March 1, 2016 by each person or group of affiliated persons that we know beneficially owns more than 5% of our outstanding ordinary shares. Other than with respect to our directors and officers, we have relied on public filings with the SEC.

Beneficial ownership of shares is determined in accordance with the Exchange Act and the rules promulgated thereunder, and generally includes any shares over which a person exercises sole or shared voting or investment power. Ordinary shares that are issuable upon the exercise of warrants, RSUs or stock options that are vested or will vest within 60 days of a specified date are deemed to be outstanding and beneficially owned by the person holding the stock options or warrants for the purpose of computing the percentage ownership of that person, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person.

Except as indicated in the footnotes to this table, to our knowledge, each shareholder in the table has sole voting and investment power for the shares shown as beneficially owned by such shareholder. Our major shareholders do not have different voting rights than our other shareholders.

Name	Number of Ordinary Shares Beneficially Owned	Percentage of Ordinary Shares Outstanding [1]
Benchmark Israel II, L.P. and affiliates [2]	9,576,772	12.5%
Dror Erez [3]	9,175,642	12.0%
Ronen Shilo [4]	8,858,847	11.6%
J.P. Morgan Investment Management Inc.[5]	8,639,965	11.3%
Zack and Orli Rinat [6]	6,484,347	8.5%

(1) Based upon 76,322,085 ordinary shares outstanding as of March 1, 2016.

(2) Based solely upon, and qualified in its entirety with reference to, a Schedule 13G/A filed with the SEC on February 16, 2016, by Benchmark Israel II, L.P. ("BI II") and affiliates. BCPI Partners II, L.P. ("BCPI-P"), the general partner of BI II may be deemed to have sole power to vote and dispose of the 9,293,742 shares directly held by BI II. BCPI Corporation II ("BCPI-C"), the general partner of BCPI-P, may be deemed to have sole power to vote and dispose of the shares directly held by BI II. Michael A. Eisenberg and Arad Naveh, the directors of BCPI-C, may be deemed to have shared power to vote and dispose of the shares directly held by BI II. 283,030 shares are held in nominee form for the benefit of persons associated with BCPI-C. BCPI-P may be deemed to have sole power to vote these shares, BCPI-C may be deemed to have sole power to vote these shares and Messrs. Eisenberg and Naveh may be deemed to have shared power to vote these shares.

(3) Based solely upon, and qualified in its entirety with reference to, a Schedule 13D/A filed with the SEC on November 25, 2015, by Mr. Erez. Includes options to purchase 9,999 ordinary shares, that are vested, or will vest within 60 days of March 1, 2016.

(4) Based solely upon, and qualified in its entirety with reference to, a Schedule 13D/A filed with the SEC on November 25, 2015, by Mr. Shilo.

(5) Consist of: (i) 4,203,067 ordinary shares directly held by Project Condor LLC (“Condor”); (ii) 4,382,121 ordinary shares directly held by the National Council for Social Security Fund (“SSF”); and (iii) 54,777 ordinary shares held by 522 Fifth Avenue Fund, L.P. (“522 Fund”). J.P. Morgan Investment Management Inc. (“JPMIM”), a registered investment advisor, serves as investment advisor to each of SSF, 522 Fund and the members of Condor. JPMIM exercises its voting and dispositive power over these ordinary shares through an investment committee of over 30 individuals in its Private Equity Group, each with an equal vote. Based upon, and qualified in its entirety with reference to, a Schedule 13G filed with the SEC on December 10, 2015, by JPMIM and SSF and supplemental information provided by these shareholders to us.

(6) Based solely upon, and qualified in its entirety with reference to, a Schedule 13G filed with the SEC on January 16, 2014, by Zack and Orli Rinat. The Ordinary Shares are held by Zack Rinat and Orli Rinat as community property.

To our knowledge, as of March 1, 2016, we had 22 shareholders of record of which 13 (including the Depository Trust Company) were registered with addresses in the United States. These U.S. holders were, as of such date, the holders of record of approximately 93.75% of our outstanding shares. The number of record holders in the United States is not representative of the number of beneficial holders nor is it representative of where such beneficial holders are resident since many of these ordinary shares were held of record by brokers or other nominees.

B. RELATED PARTY TRANSACTIONS

It is our policy that transactions with office holders or transactions in which an office holder has a personal interest will be on terms that, on the whole, are no less favorable to us than could be obtained from independent parties.

See "Item 10.B Memorandum and Articles of Association — Approval of Related Party Transactions" for a discussion of the requirements of Israeli law regarding special approvals for transactions involving directors, officers or controlling shareholders.

Agreements with Conduit

As a condition precedent to the closing of ClientConnect Acquisition on January 2, 2014, Conduit and ClientConnect effected the Conduit Split and entered into the ancillary agreements described below. As a result of the ClientConnect Acquisition, two office holders of Conduit – Dror Erez and Roy Gen – became members of our Board of Directors and the major shareholders of Conduit also became major shareholders of the Company. For information about additional agreements we entered into in connection with the ClientConnect Acquisition, see Item 10.C "Additional Information—Material Contracts—Agreements Relating to the ClientConnect Acquisition." Such directors and major shareholders are parties to or otherwise bound by some of such agreements, as described therein.

Split Agreement

Pursuant to the Split Agreement, dated September 16, 2013, between Conduit and ClientConnect, on December 31, 2013, the entire activities and operations, and related assets and liabilities, of the ClientConnect business were transferred by Conduit to ClientConnect on a cash-free and debt-free basis and the Conduit shareholders became the shareholders of ClientConnect in proportion to their ownership of Conduit (the "Conduit Split"). The assets of Conduit were transferred on an "as is" basis for no consideration. Certain liabilities were retained by Conduit, such as pre-closing taxes and litigation matters. The parties agreed to indemnify each other with respect to any damages incurred by one party with respect to liabilities of the other. During a transitional period, Conduit is entitled to use the transferred intellectual property and third party intellectual property licenses (subject to their terms), create derivative works in respect thereof and integrate, sell and license such intellectual property with Conduit’s retained business, subject to non-competition provisions. In addition, during a transitional period, ClientConnect is entitled to use domains and URL addresses that use the word "conduit" for new downloads or installs.

Transition Services Agreement

Pursuant to the Transition Services Agreement, dated December 31, 2013, between Conduit and ClientConnect, ClientConnect provided Conduit and its subsidiaries with certain business support services and systems, including data services, information technology, information security and management information systems, for consideration at market terms. The term of the agreement was for a period of eight months, except with respect to the data services to be provided thereunder, for which the term was 16 months, subject to extension by Conduit for an additional eight months. The agreement contains standard provisions regarding confidentiality and non-solicitation of the other party's officers, employees and consultants during the term of the agreement and for a period of 24 months thereafter. Following the move to our new offices in Holon in September 2014, the above mentioned services are no longer being provided, yet the aforesaid provisions are still in effect.

Office and Administrative Services Agreement

Pursuant to the Administrative Services Agreement, dated December 31, 2013, between Conduit and ClientConnect, Conduit provided ClientConnect with certain services, including office and administrative support services, for consideration on market terms based on the number of employees of ClientConnect as of the last day of each month. The parties also agreed that prior to the termination of the agreement, ClientConnect would offer continued employment to 50% of the employees providing the services from each applicable administrative department or capacity or to 50% of all such employees in the aggregate. As of August 30, 2014, the above mentioned services are no longer being provided. The agreement contains standard provisions regarding confidentiality and non-solicitation of the other party's officers, employees and consultants during the term of the agreement and for a period of 24 months thereafter.

Search Syndication Agreement

Pursuant to the Search Syndication Agreement, dated December 31, 2013, between Conduit and ClientConnect, ClientConnect undertook to provide Conduit and its affiliates with search monetization services on the most favorable terms that it gives to its other customers. This agreement was requested by Conduit in connection with its transfer to ClientConnect of its search syndication technology and search provider agreements in the Conduit Split in order to ensure that Conduit, if it so chooses, would be entitled to receive the benefit of such technology and agreements to monetize the applications that Conduit is developing. This agreement is no longer in effect as of January 1, 2016 and there has not been any activity under it.

C. INTERESTS OF EXPERTS AND COUNSEL

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

Our Financial Statements are included in this annual report pursuant to Item 18. As described in Item 3.A above, since 2014, the ClientConnect Acquisition has been reflected in our financial statements as a reverse acquisition of all of our outstanding shares and options by ClientConnect in accordance with Accounting Standards Codification Topic 805, "Business Combinations" ("ASC 805"), using the acquisition method of accounting whereby ClientConnect is the deemed accounting acquirer and Perion is the deemed accounting acquiree. In accordance with the ASC 805 presentation requirements, our financial statements include ClientConnect's comparative numbers, but not Perion's comparative numbers, for 2013.

Legal Proceedings

In November 2013, MyMail, Ltd., a non-practicing entity, filed a lawsuit in the Eastern District of Texas alleging that ClientConnect's toolbar technology infringes one of its U.S. patents issued in September 2012 and demanding an injunction and monetary payments. On November 2014, ClientConnect Ltd. filed a petition for *inter partes* review ("IPR") in the United States Patent & Trademark Office, challenging the patentability of the asserted claims of the patent in question. On January 5, 2016, the parties entered into a settlement agreement regarding, inter alia, the patent claim between the parties, and the case was dismissed on January 8, 2016.

On November 7, 2012, we entered into a Share Purchase Agreement with SweetIM Ltd., SweetIM Technologies Ltd., the shareholders of SweetIM and Nadav Goshen, as Shareholders' Agent, according to which we purchased 100% of the issued and outstanding shares of SweetIM Ltd. Under the terms of the Share Purchase Agreement, among other things, a third payment of up to $7.5 million in cash was due in May 2014, if certain milestones were met. The milestones are based on our revenues in the fiscal year of 2013 and the absence of certain changes in the industry in which we operate. We believe that that the terms of the Share Purchase Agreement require us to pay only $2.5 million with respect to the contingent payment, which we have paid. However, the Shareholders' Agent has demanded payment of an additional $5.0 million. We believe that the claim is without merit and plan to defend against it vigorously. Until this dispute is resolved, we will maintain the $5.0 million liability in our financial statements that we recorded at the time that we entered into the Share Purchase Agreement. In April 2015, pursuant to the Share Purchase Agreement, an arbitration process with respect to this claim was commenced in Israel.

On December 22, 2015, Adtile Technologies Inc. ("Adtile") filed a lawsuit against Perion and its wholly-owned subsidiary, Intercept Interactive Inc. (“Intercept”) in the United States District Court for the District of Delaware. The lawsuit alleges various causes of action against Perion and Intercept related to Intercept’s alleged unauthorized use and misappropriation of Adtile’s proprietary information and trade secrets. Adtile is seeking injunctive relief and unspecified monetary damages. We are unable to predict the outcome or range of possible loss at this stage. We believe that we have strong defenses against this lawsuit and we intend to defend against it vigorously.

Policy on Dividend Distribution

It is currently our policy not to distribute dividends.

B. SIGNIFICANT CHANGES

Since the date of our audited Financial Statements incorporated by reference in this report, there have not been any significant changes other than as set forth in this report under Item 4.A. – "Recent Developments."

ITEM 9. THE OFFER AND LISTING

A. OFFER AND LISTING DETAILS

Our ordinary shares have been listed on the NASDAQ Capital Market from January 31, 2006 to June 26, 2007, on the NASDAQ Global Market from June 27, 2007 to December 31, 2013, and on the NASDAQ Global Select Market since January 2, 2014. Our ordinary shares commenced trading on the Tel Aviv Stock Exchange on December 4, 2007. Our trading symbol on NASDAQ is "PERI" and on the TASE is "PERION."

The following table shows, for the periods indicated, the high and low market prices of our ordinary shares as reported on the NASDAQ and the TASE. The TASE prices have been translated from ILS to dollars based on the exchange rate between the ILS and the dollar, as quoted by the Bank of Israel with respect to the date of the applicable high or low market price on the TASE.

	NASDAQ		TASE	
	High ($)	**Low ($)**	**High ($)**	**Low ($)**
Five most recent full financial years				
2015	4.52	2.05	4.56	2.06
2014	14.33	4.26	14.33	4.31
2013	14.94	8.19	14.90	8.21
2012	10.50	3.68	10.45	3.85
2011	8.25	3.45	8.20	3.41
Financial quarters during the past two recent full financial years and any subsequent period				
Fourth Quarter 2015	3.94	2.08	3.69	2.07
Third Quarter 2015	2.92	2.05	2.98	2.06
Second Quarter 2015	3.91	2.75	3.94	2.75
First Quarter 2015	4.52	3.11	4.56	3.07
Fourth Quarter 2014	6.45	4.26	6.33	4.31
Third Quarter 2014	10.48	5.53	10.47	5.57
Second Quarter 2014	11.45	9.55	11.49	9.76
First Quarter 2014	14.33	10.65	14.33	10.56
Most recent six months				
February 2016	2.42	1.98	2.52	2.03
January 2016	3.25	2.22	3.71	2.22
December 2015	3.94	2.27	4.00	2.19
November 2015	2.63	2.11	2.56	2.09
October 2015	2.55	2.08	2.49	2.07
September 2015	2.49	2.05	2.54	2.06

The closing prices of our ordinary shares, as reported on the NASDAQ and on the TASE on March 22, 2016, were $2.16 and ILS 8.24 (equal to $2.14 based on the exchange rate between the ILS and the dollar, as quoted by the Bank of Israel on March 22, 2016), respectively.

B. PLAN OF DISTRIBUTION

Not applicable.

C. MARKETS

Our ordinary shares are quoted on the NASDAQ Global Select Market under the symbol "PERI," and on the Tel Aviv Stock Exchange under the symbol "PERION."

D. SELLING SHAREHOLDERS

Not applicable.

E. DILUTION

Not applicable.

F. EXPENSES OF THE ISSUE

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. SHARE CAPITAL

Not applicable

B. MEMORANDUM AND ARTICLES OF ASSOCIATION

Registration Number and Purposes

Our registration number with the Israeli Companies Registrar is 51-284949-8. Pursuant to Section 3 of our articles of association, our objectives are the development, manufacture and marketing of software and any other objective as determined by our board of directors.

Authorized Share Capital

On November 18, 2013, our shareholders approved amendments to our memorandum and articles of association increasing our authorized share capital to ILS 1,200,000, divided into 120,000,000 ordinary shares, par value ILS 0.01 per share.

The Board of Directors

Under the Companies Law and our articles of association, our board of directors may exercise all powers and take all actions that are not required under the Companies Law or under our articles of association to be exercised or taken by another corporate body, including the power to borrow money for the purposes of our Company. Our directors are not subject to any age limit requirement, nor are they disqualified from serving on our board of directors because of a failure to own a certain amount of our shares. For more information about our Board of Directors, see Item 6.C "Board Practices."

Dividend and Liquidation Rights

The holders of the ordinary shares are entitled to their proportionate share of any cash dividend, share dividend or dividend in kind declared with respect to our ordinary shares on or after the date of this annual report. We may declare dividends out of profits legally available for distribution. Under the Companies Law, a company may distribute a dividend only if the distribution does not create a reasonable risk that the company will be unable to meet its existing and anticipated obligations as they become due. Furthermore, a company may only distribute a dividend out of the company's profits, as defined under the Companies Law. If the company does not meet the profit requirement, a court may allow it to distribute a dividend, as long as the court is convinced that there is no reasonable risk that such distribution might prevent the company from being able to meet its existing and anticipated obligations as they become due.

Under the Companies Law, the declaration of a dividend does not require the approval of the shareholders of a company unless the company's articles of association provide otherwise. Our articles of association provide that the board of directors may declare and distribute dividends without the approval of the shareholders. In the event of our liquidation, holders of our ordinary shares have the right to share ratably in any assets remaining after payment of liabilities, in proportion to the paid-up par value of their respective holdings.

These rights may be affected by the grant of preferential liquidation or dividend rights to the holders of a class of shares that may be authorized in the future.

Voting, Shareholder Meetings and Resolutions

Holders of ordinary shares have one vote for each ordinary share held on all matters submitted to a vote of shareholders. This right may be changed if shares with special voting rights are authorized in the future.

Our articles of association and the laws of the State of Israel do not restrict the ownership or voting of ordinary shares by non-residents of Israel.

Under the Companies Law, an annual meeting of our shareholders should be held once every calendar year, but no later than 15 months from the date of the previous annual meeting. The quorum required under our articles of association for a general meeting of shareholders consists of at least two shareholders present in person or by proxy holding in the aggregate at least 33-1/3% of the voting power. According to our articles of association a meeting adjourned for lack of a quorum generally is adjourned to the same day in the following week at the same time and place or any time and place as the chairperson of the board of directors designates in a notice to the shareholders with the consent of the holders of the majority voting power represented at the meeting voting on the question of adjournment. In the event of a lack of quorum in a meeting convened upon the request of shareholders, the meeting shall be dissolved. At the adjourned meeting, if a legal quorum is not present after 30 minutes from the time specified for the commencement of the adjourned meeting, then the meeting shall take place regardless of the number of members present and in such event the required quorum shall consist of any number of shareholders present in person or by proxy.

Our board of directors may, in its discretion, convene additional meetings as "special general meetings." Special general meetings may also be convened upon shareholder request in accordance with the Companies Law and our articles of association. The chairperson of our board of directors presides at each of our general meetings. The chairperson of the board of directors is not entitled to a vote at a general meeting in his capacity as chairperson.

Most shareholders' resolutions, including resolutions to:

- amend our articles of association (except as set forth below) or our memorandum of association;
- make changes in our capital structure such as a reduction of capital, increase of capital or share split, merger or consolidation;
- authorize a new class of shares;
- elect directors, other than external directors; or
- appoint auditors

will be deemed adopted if approved by the holders of a majority of the voting power represented at a shareholders' meeting, in person or by proxy, and voting on that resolution. Except as set forth in the following sentence none of these actions require the approval of a special majority. Amendments to our articles of association relating to the election and vacation of office of directors, the composition and size of the board of directors and the insurance, indemnification and release in advance of the company's office holders with respect to certain liabilities incurred by them require the approval at a general meeting of shareholders holding more than two-thirds of the voting power of the issued and outstanding share capital of the company.

Notices

Under the Companies Law, shareholders' meetings generally require prior notice of at least 21 days, or 35 days if the meeting is adjourned for the purpose of voting on any of the following matters:

(1) appointment and removal of directors;

(2) approval of certain matters relating to the fiduciary duties of office holders and of certain transactions with interested parties;

(3) approval of certain mergers; and

(4) any other matter in respect of which the articles of association provide that resolutions of the general meeting may be approved by means of a voting document.

Modification of Class Rights

The Companies Law provides that, unless otherwise provided by the articles of association, the rights of a particular class of shares may not be adversely modified without the vote of a majority of the affected class at a separate class meeting.

Election of Directors

Our ordinary shares do not have cumulative voting rights in the election of directors. Therefore, the holders of ordinary shares representing more than 50% of the voting power at the general meeting of the shareholders, in person or by proxy, have the power to elect all of the directors whose positions are being filled at that meeting, to the exclusion of the remaining shareholders. External directors are elected by a majority vote at a shareholders' meeting, provided that either:

- the majority of shares voted for the election includes at least a majority of the shares held by non-controlling shareholders voted at the meeting and excluding shares held by a person with a personal interest in the approval of the election, excluding a personal interest which is not as a result of his connection with the controlling shareholder (excluding abstaining votes); or

- the total number of shares of non-controlling shareholders voted against the election of the external director does not exceed two percent of the aggregate voting rights in the company.

See "Item 6.C Board Practices" regarding our staggered board.

Transfer Agent and Registrar

American Stock Transfer and Trust Company is the transfer agent and registrar for our ordinary shares.

Approval of Related Party Transactions

Office Holders

The Companies Law codifies the fiduciary duties that office holders owe to a company. An office holder is defined in the Companies Law as any general manager, chief business manager, deputy general manager, vice general manager, or any other person assuming the responsibilities of any of these positions regardless of that person's title, as well as a director, or a manager directly subordinate to the general manager.

Fiduciary duties. An office holder's fiduciary duties consist of a duty of loyalty and a duty of care. The duty of loyalty requires the office holder to act in good faith and to the benefit of the company, to avoid any conflict of interest between the office holder's position in the company and any other of his or her positions or personal affairs, and to avoid any competition with the company or the exploitation of any business opportunity of the company in order to receive personal advantage for himself or others. This duty also requires him or her to reveal to the company any information or documents relating to the company's affairs that the office holder has received due to his or her position as an office holder. The duty of care requires an office holder to act with a level of care that a reasonable office holder in the same position would employ under the same circumstances. This includes the duty to use reasonable means to obtain information regarding the advisability of a given action submitted for his or her approval or performed by virtue of his or her position and all other relevant information pertaining to these actions.

Compensation. Every Israeli public company must adopt a compensation policy, recommended by the compensation committee, and approved by the board of directors and the shareholders, in that order. The shareholder approval requires a majority of the votes cast by shareholders, excluding any controlling shareholder and those who have a personal interest in the matter (similar to the threshold described below under " – Shareholders"). In general, all office holders' terms of compensation – including fixed remuneration, bonuses, equity compensation, retirement or termination payments, indemnification, liability insurance and the grant of an exemption from liability – must comply with the company's compensation policy. In addition, the compensation terms of directors, the chief executive officer, and any employee or service provider who is considered a controlling shareholder generally must be approved separately by the compensation committee, the board of directors and the shareholders of the company, in that order. The compensation terms of other officers require the approval of the compensation committee and the board of directors.

Approvals. The Companies Law provides that a transaction with an office holder or a transaction in which an office holder has a personal interest may not be approved if it is adverse to the company's interest. In addition, such a transaction generally requires board approval, unless the transaction is an extraordinary transaction, in which case it requires audit committee approval prior to the approval of the board of directors. A person, including a director, who has a personal interest in a matter that is considered at a meeting of the board of directors or the audit committee may not attend that meeting or vote on that matter; however, an office holder who has a personal interest in a transaction may be present during the presentation of the matter if the board or committee chairman determined that such presence is necessary for the presentation of the matter. A director with a personal interest in a matter that is considered at a meeting of the board of directors or the audit committee may attend that meeting or vote on that matter if a majority of the board of directors or the audit committee also has a personal interest in the matter; however, if a majority of the board of director has a personal interest, shareholder approval is also required.

Shareholders

Approval of the audit committee, the board of directors and our shareholders is required for extraordinary transactions with a controlling shareholder or in which a controlling shareholder has a personal interest. For these purposes, a controlling shareholder is any shareholder that has the ability to direct the company's actions, including any shareholder holding 25% or more of the voting rights if no other shareholder owns more than 50% of the voting rights in the company. The shareholdings of two or more shareholders with a personal interest in the approval of the same transaction are aggregated for this purpose.

The shareholder approval must include the majority of shares voted at the meeting. In addition, either:

- the majority must include at least a majority of the shares of the voting shareholders who have no personal interest in the transaction voted at the meeting; or

- the total shareholdings of those who have no personal interest in the transaction and who vote against the transaction must not represent more than 2% of the aggregate voting rights in the company.

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

- any amendment to the articles of association;

- an increase in the company's authorized share capital;

- a merger; or

- approval of related party transactions that require shareholder approval.

A shareholder has a general duty to refrain from depriving any other shareholder of their rights as a shareholder. In addition, any controlling shareholder, any shareholder who knows that it possesses the power to determine the outcome of a shareholder or class vote and any shareholder who, pursuant to the company's articles of association has the power to appoint or prevent the appointment of an office holder in the company, is under a duty to act with fairness towards the company.

Anti-Takeover Provisions; Mergers and Acquisitions

Merger. The Companies Law permits merger transactions with the approval of each party's board of directors and shareholders.

Under the Companies Law, a merging company must inform its creditors of the proposed merger. Any creditor of a party to the merger may seek a court order to delay or block the merger, if there is a reasonable concern that the surviving company will not be able to satisfy all of the obligations of the parties to the merger. Moreover, a merger may not be completed until all of the required approvals have been filed by both merging companies with the Israeli Registrar of Companies and (i) 30 days have passed from the time both companies' shareholders resolved to approve the merger, and (ii) at least 50 days have passed from the time that the merger proposal was filed with the Israeli Registrar of Companies.

Tender Offer. The Companies Law requires a purchaser to conduct a tender offer in order to purchase shares in publicly held companies, if as a result of the purchase the purchaser would hold more than 25% of the voting rights of a company in which no other shareholder holds more than 25% of the voting rights, or the purchaser would hold more than 45% of the voting rights of a company in which no other shareholder holds more than 45% of the voting rights. The tender offer must be extended to all shareholders, but the offeror is not required to purchase more than 5% of the company's outstanding shares, regardless of how many shares are tendered by shareholders. The tender offer generally may be consummated only if (i) at least 5% of the voting rights in the company will be acquired by the offeror and (ii) the number of shares tendered in the offer exceeds the number of shares whose holders objected to the offer. The requirement to conduct a tender offer shall not apply to (i) the purchase of shares in a private placement, provided that such purchase was approved by the company's shareholders for this purpose; ; (ii) a purchase from a holder of more than 25% of the voting rights of a company that results in a person becoming a holder of more than 25% of the voting rights of a company, and (iii) a purchase from the holder of more than 45% of the voting rights of a company that results in a person becoming a holder of more than 45% of the voting rights of a company.

Under the Companies Law, a person may not purchase shares of a public company if, following the purchase of shares, the purchaser would hold more than 90% of the company's shares, unless the purchaser makes a tender offer to purchase all of the target company's shares. If, as a result of the tender offer, the purchaser would hold more than 95% of the company's shares and more than half of the offerees that have no personal interest have accepted the offer, the ownership of the remaining shares will be transferred to the purchaser. Alternatively, the purchaser will be able to purchase all shares if the percentage of the offerees that did not accept the offer constitute less than 2% of the company's shares. If the purchaser is unable to purchase 95% or more of the company's shares, the purchaser may not own more than 90% of the shares of the target company.

Tax Law. Israeli tax law treats some acquisitions, such as a stock-for-stock swap between an Israeli company and a foreign company, less favorably than U.S. tax law. For example, Israeli tax law may subject a shareholder who exchanges his ordinary shares for shares in a foreign corporation to immediate taxation. Please see "Item 10.E Taxation — Israeli Taxation."

Exculpation, Indemnification and Insurance of Directors and Officers

Our articles of association allow us to indemnify, exculpate and insure our office holders, which includes our directors, to the fullest extent permitted by the Companies Law (other than with respect to certain expenses in connection with administrative enforcement proceedings under the Israeli Securities Law), provided that procuring this insurance or providing this indemnification or exculpation is duly approved by the requisite corporate bodies (as described above under "Related Party Transactions—Compensation").

Under the Companies Law, a company may indemnify an office holder in respect of some liabilities, either in advance of an event or following an event. If a company undertakes to indemnify an office holder in advance against monetary liability incurred in his or her capacity as an office holder, whether imposed in favor of another person pursuant to a judgment, a settlement or an arbitrator's award approved by a court, the indemnification must be limited to foreseeable events in light of the company's actual activities at the time of the indemnification undertaking and to a specific sum or a reasonable criterion under such circumstances, as determined by the board of directors.

Under the Companies Law, only if and to the extent provided by its articles of association, a company may indemnify an office holder against the following liabilities or expenses incurred in his or her capacity as an office holder:

- any monetary liability whether imposed on him or her in favor of another person pursuant to a judgment, a settlement or an arbitrator's award approved by a court;

- reasonable litigation expenses, including attorneys' fees, incurred by him or her as a result of an investigation or proceedings instituted against him or her by an authority empowered to conduct an investigation or proceedings, which are concluded either (i) without the filing of an indictment against the office holder and without the levying of a monetary obligation in lieu of criminal proceedings upon the office holder, or (ii) without the filing of an indictment against the office holder but with levying a monetary obligation in substitute of such criminal proceedings upon the office holder for a crime that does not require proof of criminal intent;

- reasonable litigation expenses, including attorneys' fees, in proceedings instituted against him or her by the company, on the company's behalf or by a third-party, or in connection with criminal proceedings in which the office holder was acquitted, or as a result of a conviction for a crime that does not require proof of criminal intent, or in connection with an administrative enforcement proceeding or financial sanction instituted against him; and

- reasonable litigation expenses, including attorneys' fees, incurred by him or her as a result of an administrative enforcement proceeding instituted against him or her.

Under the Companies Law, a company may obtain insurance for an office holder against liabilities incurred in his or her capacity as an office holder, if and to the extent provided for in its articles of association. These liabilities include a breach of duty of care to the company or a third-party, a breach of duty of loyalty, any monetary liability imposed on the office holder in favor of a third-party, and reasonable litigation expenses, including attorney fees, incurred by an office holder as a result of an administrative enforcement proceeding instituted against him.

A company may, in advance only, exculpate an office holder for a breach of the duty of care, except in connection with a distribution of dividends or a repurchase of the company's securities. A company may not exculpate an office holder from a breach of the duty of loyalty towards the company.

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

We have purchased liability insurance and entered into indemnification and exculpation agreements for the benefit of our office holders in accordance with the Companies Law and our articles of association.

C. MATERIAL CONTRACTS

Search Services Agreement with Microsoft Online Inc.

On August 1, 2014, we announced the signing of a three-year agreement with Microsoft, extending our existing partnership, starting January 1, 2015 through December 31, 2017. Upon mutual agreement, the agreement may be renewed for 2018, as well. The agreement includes desktop and tablet distribution with limited exclusivity in the United States, as well as mobile distribution. Either party may terminate the agreement due to the other party's breach of the agreement. In addition, Microsoft may terminate the agreement upon one year's prior written notice, if Microsoft decides to shut down the Bing site.

Registration Rights Undertaking in connection with ClientConnect Acquisition

Pursuant to the Registration Rights Undertaking, dated January 2, 2014, which we entered into with certain former shareholders of ClientConnect with respect to our ordinary shares issued to them in the ClientConnect Acquisition, we have the following general obligations:

- Form F-3 Shelf Registration Rights. We were required to file a "shelf" registration statement on Form F-3, as soon as practicable following the filing of our 2013 annual report, to register the resale from time to time by the holders thereof whose resale of shares would otherwise be subject to volume limitations set forth in SEC Rule 144. The holders of an aggregate of approximately 46.2 million ordinary shares have requested to include such shares in such registration statement, including Ronen Shilo, Dror Erez, Benchmark Israel, Zack and Orli Rinat, Project Condor and Roy Gen. We undertook to use our commercially reasonable efforts to maintain the effectiveness of the registration statement until the earliest of (i) five years following effectiveness, (ii) the resale of all the shares covered thereby and (iii) with respect to any shareholder, the ability of such shareholder to sell all of its shares under SEC Rule 144 without any volume limitations. Accordingly, we filed a shelf registration statement on May 8, 2014, and it was declared effective on August 7, 2014. For a period of three years following the expiration of such registration statement, at the request of holders whose resale of shares would otherwise be subject to volume limitations under SEC Rule 144, we would be required to file additional shelf registration statements and maintain the effectiveness thereof until the disposition of all the shares covered thereby. Such shelf registration rights are limited to four requests during such three-year period.

- Piggyback Registration Rights. If we effect a registered offering of securities, the holders of registrable securities consisting of at least 3% of our outstanding share capital at the relevant time (or 2% in the case of W Capital Engage, L.P.) or a holder whose resale of registrable securities would otherwise be subject to volume limitations set forth in SEC Rule 144 will have the right to include its shares in the registration effected pursuant to such offering. The number of piggyback registrations is unlimited.

- All reasonable expenses incurred in connection with any such registrations, other than underwriting discounts and commissions, will be borne by us. We are subject to customary indemnification undertakings with respect to any registration effected pursuant to the Registration Rights Undertaking.

Undertone Merger Agreement

On November 30, 2015, we entered into a Merger Agreement with IncrediTone Inc., our indirectly wholly owned subsidiary, Or Merger, Inc., which was wholly owned by IncrediTone, Interactive Holding Corp. (d/b/a Undertone), and Fortis Advisors LLC, as agent of the participating holders of Undertone, pursuant to which Or Merger, Inc. merged with and into Undertone on the same day, resulting in Undertone becoming a wholly owned subsidiary of IncrediTone. We paid approximately $91 million in cash at the closing and retained $16 million as a holdback to cover potential claims until May 2017. We are also required to pay $3 million in installments over the period ending May 2017 and another $20 million, bearing interest, in November 2020. The Merger Agreement contains customary representations, warranties, covenants and indemnification provisions.

Undertone Secured Credit Agreement

On November 30, 2015, Concurrently with the closing of the Undertone Merger Agreement, Undertone entered into a new secured credit agreement with its existing lenders for $50 million, due in quarterly installments from March 2016 to November 2019. The credit agreement is not guaranteed by Perion, but it is secured by a pledge on Perion's indemnification rights under the Undertone Merger Agreement.

On March 4, 2016, Undertone entered into an amendment to the secured credit agreement. The amendment to the credit agreement adds a $10.0 million revolving loan facility (which includes a $3.0 million swing line loan commitment and a $3.0 million letter of credit commitment). Additionally, the amendment postpones the commencement date of a few of Undertone’s undertaking and covenants and increases Undertone’s ability to invest in some of its subsidiaries.

J.P. Morgan Securities Purchase Agreement

On November 30, 2015, we entered into a securities purchase agreement (the “J.P. Morgan Securities Purchase Agreement”) with J.P. Morgan Investment Management Inc., as investment advisor to the National Council for Social Security Fund and 522 Fifth Avenue Fund L.P. (collectively referred to as the "Investors"). In accordance with the agreement, on December 3, 2015, we completed a private placement to the Investors of 4,436,898 ordinary shares for gross proceeds of $10.125 million. The purchase price per share was $2.282, which was the average closing price of an ordinary share on the Nasdaq Global Select Market for the 30 trading days ended on December 1, 2015. If, on September 1, 2016, the 15-trading day weighted average price of an ordinary share is less than $2.624, the per share purchase price of $2.282 will be adjusted downward 1% for each whole 1% that the September 1, 2016 calculated price is lower than $2.282, up to a maximum adjustment of 15%, and we will issue to the two aforesaid parties such number of additional ordinary shares as is necessary so that each will receive such number of ordinary shares in total that it would have purchased at the closing of the private placement at such lower price.

J.P. Morgan Registration Rights Agreement

On December 3, 2015, in connection with the J.P. Morgan Securities Purchase Agreement, we entered into a registration rights agreement with the Investors, pursuant to which we granted to the Investors certain registration rights related to the ordinary shares issued per the J.P. Morgan Securities Purchase Agreement. We were required to file a registration statement on Form F-3 for the resale of the ordinary shares within 30 days following December 3, 2015, which we did on December 29, 2015, and to use our reasonable efforts to cause such registration statement to be declared effective within 120 days following December 3, 2015. We may incur liquidated damages if we do not meet our registration obligations. We also agreed to other customary obligations regarding registration, including indemnification and maintenance of the applicable registration statement.

D. EXCHANGE CONTROLS

Non-residents of Israel who hold our ordinary shares are able to receive any dividends, and any amounts payable upon the dissolution, liquidation and winding up of our affairs, freely repatriable in non-Israeli currency at the rate of exchange prevailing at the time of conversion. However, Israeli income tax is required to have been paid or withheld on these amounts. In addition, the statutory framework for the potential imposition of exchange controls has not been eliminated, and may be restored at any time by administrative action.

E. TAXATION

The following is a general summary only and should not be considered as income tax advice or relied upon for tax planning purposes.

ISRAELI TAXATION

THE FOLLOWING DESCRIPTION IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSEQUENCES RELATING TO THE OWNERSHIP OR DISPOSITION OF OUR ORDINARY SHARES. YOU SHOULD CONSULT YOUR OWN TAX ADVISOR CONCERNING THE TAX CONSEQUENCES OF YOUR PARTICULAR SITUATION, AS WELL AS ANY TAX CONSEQUENCES THAT MAY ARISE UNDER THE LAWS OF ANY STATE, LOCAL, FOREIGN OR OTHER TAXING JURISDICTION.

The following is a summary of the material Israeli tax laws applicable to us, and some Israeli Government programs benefiting us. This section also contains a discussion of some Israeli tax consequences to persons acquiring our ordinary shares. This summary does not discuss all the acts of Israeli tax law that may be relevant to a particular investor in light of his or her personal investment circumstances or to some types of investors subject to special treatment under Israeli law. Examples of this kind of investor include residents of Israel or traders in securities who are subject to special tax regimes not covered in this discussion. Since some parts of this discussion are based on new tax legislation that has not yet been subject to judicial or administrative interpretation, we cannot assure you that the appropriate tax authorities or the courts will accept the views expressed in this discussion.

The discussion below should not be construed as legal or professional tax advice and does not cover all possible tax considerations. Potential investors are urged to consult their own tax advisors as to the Israeli or other tax consequences of the purchase, ownership and disposition of our ordinary shares, including, in particular, the effect of any foreign, state or local taxes.

General Corporate Tax Structure in Israel

Taxable income of Israeli companies is generally subject to corporate tax at the rate of 26.5% for the 2015 tax year. In January 2016, the Israeli parliament approved the reduction of the corporate tax to 25%, starting from January 1, 2016. However, the effective tax rate payable by a company that derives income from a Preferred Enterprise (as further discussed below) may be considerably lower.

Foreign Currency Regulations

We are permitted to measure our Israeli taxable income in U.S. dollars pursuant to regulations published by the Israeli Minister of Finance, which provide the conditions for doing so. We believe that we meet and will continue to meet, the necessary conditions and as such, we measure our results for tax purposes based on the U.S. dollar/ILS exchange rate as of December 31st of each year.

Law for the Encouragement of Capital Investments, 1959

The Law for Encouragement of Capital Investments, 1959 (the "Investment Law") provides tax benefits for income of Israeli companies meeting certain requirements and criteria. The Investment Law has undergone certain amendments and reforms in recent years.

The Israeli parliament enacted a reform to the Investment Law, effective January 2011. According to the reform, a flat rate tax applies to companies eligible for the "Preferred Enterprise" status. In order to be eligible for Preferred Enterprise status, a company must meet minimum requirements to establish that it contributes to the country’s economic growth and is a competitive factor for the Gross Domestic Product (a competitive enterprise).

We elected "Preferred Enterprise" status commencing in 2011.

Benefits granted to a Preferred Enterprise include reduced tax rates. In peripheral regions (Development Area A) the reduced tax rate was 9% in 2014, 9% in 2015 and will be 9% in 2016. In other regions the tax rate was 16% in 2014, 16% in 2015 and will be 16% in 2016. Preferred Enterprises in peripheral regions will be eligible for Investment Center grants, as well as the applicable reduced tax rates.

A distribution from a Preferred Enterprise out of the "Preferred Income" would be subject to 15% withholding tax for Israeli-resident individuals and non-Israeli residents (subject to applicable treaty rates), or 20% for dividends which are distributed on or after January 1, 2014 and from preferred income that was produced or accrued after such date.

A distribution from a Preferred Enterprise out of the "Preferred Income" would be exempt from withholding tax for an Israeli-resident company. A company electing to waive its Beneficiary Enterprise or Approved Enterprise status, which relate to tax incentive programs afforded under previous versions of the Investment Law, through June 30, 2015 may distribute "Approved Income" or "Beneficiary Income" subject to 15% withholding tax for Israeli resident individuals and non-Israeli residents (subject to applicable treaty rates) and exempt from withholding tax for an Israeli-resident company. Nonetheless, a distribution from income exempt under Beneficiary Enterprise and Approved Enterprise programs will subject the exempt income to tax at the reduced corporate income tax rates pertaining to the Beneficiary Enterprise and Approved Enterprise programs upon distribution, or complete liquidation in the case of a Beneficiary Enterprise’s exempt income.

Pursuant to an amendment to the Investments Law which became effective on November 12, 2012 (“Amendment 69”), a company that elects by November 11, 2013 to pay a corporate tax rate as set forth in that amendment (rather than the regular corporate tax rate applicable to Approved Enterprise income) with respect to undistributed exempt income accumulated by the company up until December 31, 2011, will be entitled to distribute a dividend from such income without being required to pay additional corporate tax with respect to such dividend. A company that has so elected must make certain qualified investments in Israel over the five-year period commencing in 2013. A company that has elected to apply the amendment cannot withdraw from its election.

During 2013, we applied the provisions of Amendment 69 to all undistributed exempt profits accrued prior to 2011 by us and our Israeli subsidiary. Consequently, we paid ILS 6.3 million (approximately $1.8 million) corporate tax on exempt income of ILS 63.2 million (approximately $17.9 million). This income is available to be distributed as dividends in future years with no additional corporate tax liability. As a result, we are required to invest ILS 4.7 million (approximately $1.2 million) in our industrial enterprises in Israel over a five year period. Such investment may be in the form of the acquisition of industrial assets (excluding real estate assets), investment in R&D in Israel, or payroll payments to new employees to be hired by the enterprise.

Law for the Encouragement of Industry (Taxes), 1969

We believe that we currently qualify as an "Industrial Company" within the meaning of the Law for the Encouragement of Industry (Taxes), 1969, or the Industry Encouragement Law. The Industry Encouragement Law defines "Industrial Company" as a company resident in Israel, of which 90% or more of its income in any tax year, other than of income from defense loans, capital gains, interest and dividends, is derived from an "Industrial Enterprise" owned by it. An "Industrial Enterprise" is defined as an enterprise whose major activity in a given tax year is industrial production.

The following corporate tax benefits, among others, are available to Industrial Companies:

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

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

Transfer Pricing

In accordance with Section 85A of the Israeli Tax Ordinance, if in an international transaction (where at least one party is a non-Israeli or all or part of the income from such transaction is to be taxed abroad as well as in Israel) there is a special relationship between the parties (including but not limited to family relationship or a relationships of control between companies), and due to this relationship the price set for an asset, right, service or credit was determined or other conditions for the transaction were set such that a smaller profit was realized than what would have been expected to be realized from a transaction of this nature, then such transaction shall be reported in accordance with customary market conditions and tax shall be charged accordingly. The assessment of whether a transaction falls under the aforementioned definition shall be implemented in accordance with one of the procedures mentioned in the regulations and is based, among others, on comparisons of characteristics which portray similar transactions in ordinary market conditions, such as profit, the area of activity, nature of the asset, the contractual conditions of the transaction and according to additional terms and conditions specified in the regulations.

Taxation of our Shareholders

Starting in 2012, dividends paid to Israeli individuals, are subject to 25% or 30% withholding tax depending on ownership percentage, unless reduced by an applicable tax treaty. Capital gains derived by Israeli resident individuals, on sale of our shares are subject to tax at a 25% or 30% rate unless an exemption is available under domestic law or an applicable tax treaty.

Capital Gains Taxes Applicable to Israeli Resident Shareholders. An individual is subject to a 25% tax rate on real capital gains derived from the sale of shares, as long as the individual is not a "substantial shareholder" (generally a shareholder with 10% or more of the right to profits, right to nominate a director and voting rights) in the company issuing the shares.

A substantial shareholder will be subject to tax at a rate of 30% in respect of real capital gains derived from the sale of shares issued by a company in which he or she is a substantial shareholder. The determination of whether the individual is a substantial shareholder will be made on the date on which the securities are sold. In addition, the individual will be deemed to be a substantial shareholder if at any time during the 12 months preceding the date of sale, he or she was a substantial shareholder.

As of January 1, 2013, shareholders that are individuals who have taxable income that exceeds ILS 800,000 in a tax year (linked to the CPI each year) (ILS 810,720 in 2015), will be subject to an additional tax, referred to as High Income Tax, at the rate of 2% on their taxable income for such tax year which is in excess of ILS such threshold. For this purpose taxable income will include taxable capital gains from the sale of our shares and taxable income from dividend distributions.

Israeli corporations are generally subject to the corporate tax rate (26.5% in 2015 and 25.0% commencing on January 1, 2016) on capital gains derived from the sale of shares.

Capital Gains Taxes Applicable to Non-Israeli Resident Shareholders. Shareholders that are not Israeli residents are generally exempt from Israeli capital gains tax on any gains derived from the sale, exchange or disposition of our ordinary shares, provided that (1) such shareholders did not acquire their shares prior to our initial public offering, (2) the shares are listed for trading on the Tel Aviv Stock Exchange and/or a foreign exchange, and (3) such gains did not derive from a permanent establishment of such shareholders in Israel. However, non-Israeli corporations will not be entitled to the foregoing exemptions if Israeli residents (i) have a controlling interest of more than 25% in such non-Israeli corporation, or (ii) are the beneficiaries of or are entitled to 25% or more of the revenues or profits of such non-Israeli corporation, whether directly or indirectly. In certain instances, where our shareholders may be liable to Israeli tax on the sale of their ordinary shares, the payment of the consideration may be subject to the withholding of Israeli tax at the source.

Under the U.S.-Israel Tax Treaty, the sale, exchange or disposition of our ordinary shares by a shareholder who is a U.S. resident (for purposes of the U.S.-Israel Tax Treaty) holding the ordinary shares as a capital asset is exempt from Israeli capital gains tax unless either (i) the shareholder holds, directly or indirectly, shares representing 10% or more of our voting capital during any part of the 12-month period preceding such sale, exchange or disposition, or (ii) the capital gains arising from such sale are attributable to a permanent establishment of the shareholder located in Israel.

Taxation of Non-Israeli Shareholders on Receipt of Dividends. Non-residents of Israel are generally subject to Israeli income tax on the receipt of dividends paid on our ordinary shares at the rate of 25%, which tax will be withheld at source, unless a different rate is provided in a treaty between Israel and the shareholder's country of residence. With respect to a substantial shareholder (which is someone who alone, or together with another person, holds, directly or indirectly, at least 10% in one or all of any of the means of control in the corporation at the time of distribution or at any time during the preceding 12 months period), the applicable tax rate will be 30%.

Under the U.S.-Israel Tax Treaty, the maximum rate of tax withheld in Israel on dividends paid to a holder of our ordinary shares who is a U.S. resident (for purposes of the U.S.-Israel Tax Treaty) is 25%. However, generally, the maximum rate of withholding tax on dividends, not generated by our Approved, Beneficiary or Preferred Enterprises that are paid to a U.S. corporation holding 10% or more of our outstanding voting capital throughout the tax year in which the dividend is distributed as well as the previous tax year, is 12.5%. The lower 12.5% rate does not apply if the company has more than 25% of its gross income derived from certain types of passive income. Furthermore, dividends paid from income derived from our Approved, Beneficiary or Preferred Enterprise are subject, under certain conditions, to withholding at the rate of 15% or 20%. We cannot assure you that we will designate the profits that are being distributed in a way that will reduce shareholders' tax liability. A non-resident of Israel who receives dividends from which tax was withheld is generally exempt from the duty to file returns in Israel in respect of such income, provided such income was not derived from a business conducted in Israel by the taxpayer, and the taxpayer has no other taxable sources of income in Israel.

U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following discussion is a description of certain U.S. federal income tax considerations applicable to an investment in our ordinary shares by U.S. Holders (defined below) who acquire our ordinary shares and hold them as capital assets for U.S. federal income tax purposes (generally, for investment). As used in this section, the term "U.S. Holder" means a beneficial owner of an ordinary share who is:

- an individual citizen or resident of the United States;
- a corporation (or entity classified as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state of the United States or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if (i) a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all of its substantial decisions or (ii) the trust has in effect a valid election under applicable U.S. Treasury Regulations to be treated as a U.S. person.

The term "Non-U.S. Holder" means a beneficial owner of an ordinary share other than a partnership or other pass-through entity who is not a U.S. Holder. The tax consequences to a Non-U.S. Holder may differ substantially from the tax consequences to a U.S. Holder. Certain limited aspects of U.S. federal income tax considerations relevant to Non-U.S. Holders of an ordinary share are also discussed below.

This discussion is based on provisions of the Code, current and proposed U.S. Treasury Regulations and administrative and judicial interpretations, each in effect as of the date hereof, all of which are subject to change, possibly on a retroactive basis. This description does not discuss all aspects of U.S. federal income taxation that may be applicable to investors in light of their particular circumstances or to investors who are subject to special treatment under U.S. federal income tax laws, including:

- insurance companies;
- dealers in stocks, securities or currencies;
- financial institutions and financial services entities;
- regulated investment companies or real estate investment trusts;
- grantor trusts;
- S corporations;
- persons that acquire ordinary shares upon the exercise of employee stock options or otherwise as compensation;
- tax-exempt organizations;
- persons that hold ordinary shares as a position in a straddle or as part of a hedging, conversion or other integrated instrument;
- individual retirement and other tax-deferred accounts;
- certain former citizens or long-term residents of the United States;
- persons (other than Non-U.S. Holders) having a functional currency other than the U.S. dollar; and
- persons that own directly, indirectly or constructively 10% or more of our voting shares.

Additionally, the tax treatment of persons who are, or hold our ordinary shares through, a partnership or other pass-through entity is not discussed, and such persons should consult their advisor as to their tax consequences. The possible application of the alternative minimum tax, U.S. federal estate or gift taxes and any aspect of state, local or non-U.S. tax laws are also not considered in this discussion.

We urge you to consult with your own tax advisor regarding the tax consequences of investing in the ordinary shares, including the effects of U.S. federal, state, local, and foreign or other tax laws.

Distributions Paid on the Ordinary Shares

Subject to the discussion below under "Passive Foreign Investment Company Considerations," a U.S. Holder generally will be required to include in gross income as ordinary dividend income the amount of any distributions paid by us on the ordinary shares, including the amount of any non-U.S. income taxes withheld, to the extent that those distributions are paid out of our current or accumulated earnings and profits as determined for U.S. federal income tax purposes. Distributions in excess of our earnings and profits will be treated first as a non-taxable return of capital and will reduce the U.S. Holder’s tax basis in its ordinary shares to the extent thereof and, to the extent distributions exceed such tax basis, then will be treated as gain from a sale or exchange of those ordinary shares. Our dividends generally will not qualify for the dividends-received deduction applicable, in some cases, to U.S. corporations. Dividends paid in ILS, including the amount of any non-U.S. income taxes withheld, will be includible in the income of a U.S. Holder in a U.S. dollar amount calculated by reference to the exchange rate in effect on the date they are included in income by the U.S. Holder, regardless of whether the payment in fact is converted into U.S. dollars. A U.S. holder that receives distributions paid in ILS (or any other foreign currency) and converts the ILS (or other foreign currency) into dollars after the date such distributions are included in income may have foreign exchange gain or loss based on any appreciation or depreciation in the value of the ILS (or other foreign currency) against the dollar, which will generally be U.S. source ordinary income or loss.

A non-corporate U.S. holder’s "qualified dividend income" may be taxed at reduced rates (currently, a maximum rate of 20% applies). For this purpose, subject to the limitations discussed below, "qualified dividend income" generally includes dividends paid by a non-U.S. corporation if either:

(a) the stock of that corporation with respect to which the dividends are paid is readily tradable on an established securities market in the United States, or

(b) that corporation is eligible for the benefits of a comprehensive income tax treaty with the United States which includes an information exchange program and is determined to be satisfactory by the United States Secretary of the Treasury. The Internal Revenue Service has determined that the United States-Israel Tax Treaty is satisfactory for this purpose.

No dividend income received by a U.S. Holder will be qualified dividend income (1) unless such U.S. Holder generally has held its ordinary shares for at least 61 days during the 121-day period beginning on the date that is 60 days prior to the ex-dividend date with respect to such dividend, excluding for this purpose, under the rules of Code section 246(c), any period during which the U.S. Holder has an option to sell, is under a contractual obligation to sell, has made and not closed a short sale of, is the grantor of a deep-in-the-money or otherwise nonqualified option to buy, or has otherwise diminished its risk of loss by holding other positions with respect to, such ordinary share (or substantially identical securities) or (2) to the extent such U.S. Holder is under an obligation (pursuant to a short sale or otherwise) to make related payments with respect to positions in property substantially similar or related to the ordinary share with respect to which the dividend is paid.

In addition, a non-corporate U.S. Holder will be able to take a qualified dividend into account in determining its deductible investment interest (which is generally limited to its net investment income) only if it elects to do so; in such case the dividend will be taxed at ordinary income tax rates. Dividends paid by a non-U.S. corporation will not be qualified dividend income and thus, not qualify for reduced rates, if such corporation is, for the tax year in which the dividend is paid or the preceding tax year, a "passive foreign investment company" for U.S. federal income tax purposes.

Subject to certain conditions and limitations, non-U.S. income tax withheld on dividends may be deducted from taxable income or credited against a U.S. Holder’s U.S. federal income tax liability. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. Dividends paid by us generally will be foreign source "passive income" for U.S. foreign tax credit purposes. U.S. Holders that do not elect to claim a foreign tax credit may generally instead claim a deduction for the non-U.S. income taxes withheld if such U.S. Holders itemize their deductions for U.S. federal income tax purposes. The rules relating to the determination of foreign source income and the foreign tax credit are complex, and the availability of a foreign tax credit depends on numerous factors. U.S. holders should consult their tax advisors regarding the application of the foreign tax credit rules.

A U.S. holder will be denied a foreign tax credit for non-U.S. income taxes withheld from a dividend received on the ordinary shares (i) if the U.S. holder has not held the ordinary shares for at least 16 days of the 31-day period beginning on the date which is 15 days before the ex-dividend date with respect to such dividend or (ii) to the extent the U.S. holder is under an obligation (whether pursuant to a short sale or otherwise) to make related payments with respect to positions in substantially similar or related property. Any days during which a U.S. holder has substantially diminished its risk of loss on the ordinary shares are not counted toward meeting the required 16-day holding period.

Disposition of Ordinary Shares

Upon the sale or other disposition of ordinary shares (other than with respect to certain non-recognition transactions), subject to the discussion below under "Passive Foreign Investment Company Considerations," a U.S. Holder generally will recognize capital gain or loss equal to the difference between the amount realized on the disposition and the holder’s adjusted tax basis in the ordinary shares. Gain or loss upon the disposition of the ordinary shares will be treated as long-term if, at the time of the sale or disposition, the ordinary shares were held for more than one year. Long-term capital gains realized by non-corporate U.S. Holders generally are subject to reduced rates of tax (currently, a maximum rate of 20% applies). The deductibility of capital losses by a U.S. Holder is subject to limitations.

A U.S. holder that uses the cash method of accounting calculates the dollar value of the proceeds received on the sale as of the date that the sale settles. However, a U.S. holder that uses the accrual method of accounting is required to calculate the value of the proceeds of the sale as of the trade date and may therefore realize foreign currency gain or loss between the trade date and the settlement date. A U.S. holder may avoid realizing foreign currency gain or loss by electing to use the settlement date to determine the proceeds of sale for purposes of calculating the foreign currency gain or loss. In addition, a U.S. holder that receives foreign currency upon disposition of ordinary shares and converts the foreign currency into dollars after the settlement date or trade date (whichever date the U.S. holder is required to use to calculate the value of the proceeds of sale) may have foreign exchange gain or loss based on any appreciation or depreciation in the value of the foreign currency against the dollar, which will generally be U.S. source ordinary income or loss.

Net Investment Income Tax

Non-corporate U.S. Holders may be subject to an additional 3.8% surtax on all or a portion of the "net investment income," which generally may include dividends on, or capital gains recognized from the disposition of, our ordinary shares. U.S. Holders are urged to consult their own tax advisors regarding the applicability of the net investment income tax to their investment in our shares.

Passive Foreign Investment Company Considerations

Special U.S. federal income tax rules apply to U.S. Holders owning shares of a passive foreign investment company or "PFIC." A non-U.S. corporation will be considered a PFIC for any tax year in which, after applying certain look-through rules, 75% or more of its gross income consists of specified types of passive income, or 50% or more of the average value of its assets (determined on a quarterly basis) consists of passive assets, which generally means assets that generate, or are held for the production of, passive income.

If we were classified as a PFIC, a U.S. Holder could be subject to increased tax liability upon the sale or other disposition of ordinary shares or upon the receipt of amounts treated as "excess distributions." Under these rules, the excess distribution and any gain from the sale or disposition would be allocated ratably over the U.S. Holder’s holding period for the ordinary shares, and the amount allocated to the current taxable year and any taxable years prior to the first taxable year in which we were a PFIC would be taxed as ordinary income. The amount allocated to each of the prior taxable years in which we were a PFIC would be subject to tax at the highest marginal rate in effect for the applicable class of taxpayer for that year, and an interest charge for the deemed deferral benefit would be imposed on the resulting tax allocated to such prior taxable years. The tax liability with respect to the amount allocated to taxable years prior to the year of the disposition, or "excess distribution," cannot be offset by any net operating losses. In addition, holders of stock in a PFIC may not receive a "step-up" in basis on shares acquired from a decedent. U.S. Holders who hold ordinary shares during a period when we are a PFIC will be subject to the foregoing rules even if we cease to be a PFIC. Unless otherwise provided by the IRS, if a non-U.S. corporation is a PFIC, a U.S. Holder generally is required to file an annual informational return with the IRS.

As an alternative to the tax treatment described above, a U.S. Holder could elect to treat us as a "qualified electing fund" ("QEF"), in which case the U.S. Holder would be required to include in income, for each taxable year that we are a PFIC, its pro rata share of our ordinary earnings as ordinary income and its pro rata share of our net capital gains as capital gain, subject to a separate election to defer payment of taxes where such deferral is subject to an interest charge. A QEF election is made on a shareholder-by-shareholder basis, applies to all ordinary shares held or subsequently acquired by an electing U.S. Holder and can only be revoked with consent of the IRS. A U.S. Holder may make a QEF election only if we furnish such U.S. Holder with certain tax information. We currently do not provide this information, and we do not intend to take any actions that would be necessary to permit U.S. Holders to make a QEF election in the event we become a PFIC.

As an alternative to making a QEF election, a U.S. Holder of PFIC stock which is "marketable stock" (e.g., "regularly traded" on the Nasdaq Global Select Market) may in certain circumstances avoid certain of the tax consequences generally applicable to holders of stock in a PFIC by electing to mark the stock to market as of the beginning of such U.S. Holder’s holding period for the ordinary shares. As a result of such election, in any taxable year that we are a PFIC, a U.S. Holder generally would be required to report gain or loss to the extent of the difference between the fair market value of the ordinary shares at the end of the taxable year and such U.S. Holder’s tax basis in its ordinary shares at that time. Any gain under this computation, and any gain on an actual disposition of the ordinary shares in a year in which we are a PFIC, would be treated as ordinary income. Any loss under this computation, and any loss on an actual disposition of the ordinary shares in a year in which we are a PFIC, generally would be treated as ordinary loss to the extent of the cumulative net-mark-to-market gain previously included. Any remaining loss from marking ordinary shares to market will not be allowed, and any remaining loss from an actual disposition of ordinary shares generally would be capital loss. A U.S. Holder’s tax basis in its ordinary shares is adjusted annually for any gain or loss recognized under the mark-to-market election. There can be no assurances that there will be sufficient trading volume with respect to the ordinary shares in order for the ordinary shares to be considered "regularly traded" or that our ordinary shares will continue to trade on the Nasdaq Global Select Market. Accordingly, there are no assurances that our ordinary shares will be marketable stock for these purposes. As with a QEF election, a mark-to-market election is made on a shareholder-by-shareholder basis, applies to all ordinary shares held or subsequently acquired by an electing U.S. Holder and can only be revoked with consent of the IRS (except to the extent the ordinary shares no longer constitute "marketable stock").

Based on our income, assets, activities and market capitalization, we do not believe that we were a PFIC for the taxable year ended December 31, 2015 for U.S. federal income tax purposes. Our belief that we were not a PFIC for the 2015 taxable year is based on our estimate of the fair market value of our assets, including our intangible assets and goodwill, which are not reflected in our financial statements under U.S. GAAP. In calculating the value of our assets, we value our total assets, in part, based on our total market capitalization. We believe this valuation approach is reasonable. However, there can be no assurances that the IRS could not successfully challenge our valuations or methods, which could result in our classification as a PFIC. While we intend to manage our business so as to avoid PFIC status, to the extent consistent with our other business goals, we cannot predict whether our business plans will allow us to avoid PFIC status or whether our business plans will change in a manner that affects our PFIC status determination. In addition, because the market price of our ordinary shares is likely to fluctuate and because that market price may affect the determination of whether we will be considered a PFIC, we cannot be certain that we will not be a PFIC in 2016 or become a PFIC in any other future taxable year.

The rules applicable to owning shares of a PFIC are complex, and each prospective purchaser who would be a U.S. Holder should consult with its own tax advisor regarding the consequences of investing in a PFIC.

Tax Consequences for Non-U.S. Holders of Ordinary Shares

Except as described in "Information Reporting and Back-up Withholding" below, a Non-U.S. Holder of our ordinary shares will not be subject to U.S. federal income or withholding tax on the payment of dividends on, and the proceeds from the disposition of, our ordinary shares, unless, in the case of U.S. federal income taxes:

- the item is effectively connected with the conduct by the Non-U.S. Holder of a trade or business in the United States and (i) in the case of a resident of a country which has a treaty with the United States, the item is attributable to a permanent establishment, or (ii) in the case of an individual, the item is attributable to a fixed place of business in the United States; or

- the Non-U.S. Holder is an individual who holds the ordinary shares as a capital asset and is present in the United States for 183 days or more in the taxable year of the disposition, and certain other conditions are met.

Information Reporting and Backup Withholding

U.S. Holders generally are subject to information reporting requirements with respect to dividends on, or proceeds from the disposition of, our ordinary shares. In addition, a U.S. Holder may be subject, under certain circumstances, to backup withholding (currently, at a rate of up to 28%) with respect to dividends paid on, or proceeds from the disposition of, our ordinary shares unless the U.S. Holder provides proof of an applicable exemption or correct taxpayer identification number, and otherwise complies with the applicable requirements of the backup withholding rules. A U.S. Holder of our ordinary shares who provides an incorrect taxpayer identification number may be subject to penalties imposed by the IRS. Amounts withheld under the backup withholding rules are not an additional tax and may be refunded or credited against the U.S. Holder's U.S. federal income tax liability, provided the required information is furnished to the IRS.

Non-U.S. Holders generally are not subject to information reporting or backup withholding, provided that the Non-U.S. Holder provides a taxpayer identification number, certifies to its foreign status, or establishes another exemption to the information reporting or backup withholding requirements.

Certain U.S. holders (and to the extent provided in IRS guidance, certain non-U.S. holders) who hold interests in "specified foreign financial assets" (as defined in Section 6038D of the Code) are generally required to file an IRS Form 8938 as part of their U.S. federal income tax returns to report their ownership of such specified foreign financials assets, which may include our common shares, if the total value of those assets exceed certain thresholds. Substantial penalties may apply to any failure to timely file IRS Form 8938. In addition, in the event a holder that is required to file IRS Form 8938 does not file such form, the statute of limitations on the assessment and collection of U.S. federal income taxes of such holder for the related tax year may not close until three years after the date that the required information is filed. Holders should consult their own tax advisors regarding their tax reporting obligations.

F. DIVIDENDS AND PAYING AGENTS

Not applicable.

G. STATEMENT BY EXPERTS

Not applicable.

H. DOCUMENTS ON DISPLAY

You may request a copy of our U.S. SEC filings, at no cost, by writing or calling us at Perion Network Ltd., 26 HaRokmim Street, Holon 5885849, Israel, Attention: Yacov Kaufman, Telephone: +972-73-3981000. A copy of each report submitted in accordance with applicable U.S. law is available for public review at our principal executive offices. In addition, our filings with the SEC may be inspected without charge at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Information on the operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330. Our SEC filings are also available to the public from the SEC's website at www.sec.gov.

A copy of each document (or a translation thereof to the extent not in English) concerning Perion that is referred to in this annual report on Form 20-F, is available for public view (subject to confidential treatment of agreements pursuant to applicable law) at our principal executive offices at Perion Network Ltd., 26 HaRokmim Street, Holon 5885849, Israel.

I. SUBSIDIARY INFORMATION

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Exchange Rate Risk. A portion of our revenues and expenses are denominated in foreign currencies. As a result, numerous balances are denominated or linked to these currencies. Foreign currency related fluctuations resulted in $1.2 million net gains in 2013, $2.7 million net losses in 2014 and $0.6 million net losses in 2015. These gains and losses are included in financial income (expense), net, as presented in our statements of income.

As of December 31, 2015, balance sheet financial items in U.S. dollars, our functional currency, and those currencies other than the U.S. dollars were as follows:

	U.S. dollars	ILS	Other Currencies	Total
	In thousands of U.S. dollars			
Current assets	127,054	5,979	7,794	140,827
Long-term assets	13,682	476	42	14,200
Current liabilities	85,733	17,760	3,135	106,628
Long-term liabilities	104,699	30,123	1,014	135,836
Total	331,168	54,338	11,985	397,491

The fair value of the outstanding derivative instruments and the notional amount of the hedged instruments as of December 31, 2015 were as follows:

	Notional Amount	Fair Value
	In thousands of U.S. dollars	
Cross currency SWAP	36,772	366
Zero-cost collar contracts to hedge payroll expenses	20,280	28

In addition, in territories where our prices are based on local currencies, fluctuations in the dollar exchange rate could affect our gross profit margin. We may compensate for such fluctuations by changing product prices accordingly. We also hold a small part of our financial investments in other currencies, mainly ILS and Euro. The dollar value of those investments may decline. A revaluation of 1% of the foreign currencies (i.e. other than U.S. dollar) would not have a material effect on our income before taxes possibly reducing it by less than $0.5 million.

A significant portion of our costs, including salaries and office expenses are incurred in ILS. Inflation in Israel may have the effect of increasing the U.S. dollar cost of our operations in Israel. If the U.S. dollar declines in value in relation to the New Israeli Shekel, it will become more expensive for us to fund our operations in Israel. A revaluation of 1% of the New Israeli Shekel will affect our income before tax by less than one percent (1%). The exchange rate of the U.S. dollar to the New Israeli Shekel, based on exchange rates published by the Bank of Israel, was as follows:

	Year Ended December 31,		
	2013	**2014**	**2015**
Average rate for period	3.609	3.577	3.884
Rate at year-end	3.471	3.889	3.902

Since 2006 we've engaged a firm to analyze our exposure to the fluctuation in foreign currency exchange rates and are implementing their recommendations since then. However, due to the market conditions, volatility and other factors, its proposals and their implementation occasionally prove to be ineffective or can cause additional finance expenses.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

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

None.

ITEM 15. CONTROLS AND PROCEDURES

(a) Disclosure controls and procedures

Our chief executive officer and chief financial officer, after evaluating the effectiveness of our disclosure controls and procedures as of December 31, 2015, have concluded that, as of such date, our disclosure controls and procedures were effective and ensured that information required to be disclosed by us in reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms.

(b) Management annual report on internal control over financial reporting

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2015. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in "Internal Control – Integrated Framework" (2013 framework). Our management has concluded, based on its assessment, that our internal control over financial reporting was effective as of December 31, 2015.

(c) Attestation Report of Registered Public Accounting Firm

Our independent registered public accounting firm, Kost, Forer, Gabbay & Kasierer, a member of Ernst & Young Global, independently assessed the effectiveness of our internal control over financial reporting and has issued an attestation report, which is included under Item 18 on page F-3 of this annual report.

(d) Changes in internal control over financial reporting

During the period covered by this report, no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) have occurred that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

On February 11, 2015, we completed the acquisition of MMR and on November 30, 2015, the acquisition of Undertone. Management excluded from its assessment both acquisitions, which accounted for approximately 57% of our consolidated total assets and approximately 9% of our consolidated revenues as of and for the year ended December 31, 2015, as permitted by the SEC guidance.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has determined that Mr. David Jutkowitz, who is an independent director (as defined in the NASDAQ Listing Rules) and serves on our audit committee, qualifies as an "audit committee financial expert" as defined in Item 16A of Form 20-F.

ITEM 16B. CODE OF ETHICS

Our board of directors has adopted a code of conduct (which was recently amended in March 2016) applicable to all of our directors, officers and employees as required by the NASDAQ Listing Rules, which also complies with the definition of a "code of ethics" set out in Section 406(c) of the Sarbanes-Oxley Act of 2002. A copy of the code of ethics can be found on our website at: http://www.perion.com/governance-documents.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Fees for the professional services rendered by our independent accountants Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, for each of the last two fiscal years were as follows (in thousands):

	2014	2015
Audit Fees	$ 619	$ 657
Tax Fees	213	239
Audit Related fees	59	145
Other	54	-
Total	$ 945	$ 1,041

Audit fees include fees for professional services rendered by our principal accountant in connection with the annual audit, review of quarterly consolidated financial data, internationally required statutory audits, consents and assistance with review of documents filed with the SEC.

Audit-related fees principally include due diligence in connection with acquisitions and accounting consultation.

Tax fees include services related to tax compliance, including the preparation of tax returns and claims for refunds, tax planning and advice, including assistance with tax audits and appeals, advice related to mergers and acquisitions and assistance with respect to requests for rulings from tax authorities.

All other fees principally include advisory services.

Our audit committee is responsible for the establishment of policies and procedures for review and pre-approval by the committee of all audit services and permissible non-audit services to be performed by our independent auditor, in order to ensure that such services do not impair our auditor’s independence. Pursuant to the pre-approval policy adopted by our audit committee, certain enumerated audit, audit-related and tax services have been granted general pre-approval by our audit committee and need not be specifically pre-approved. Pre-approval fee levels or budgeted amounts for all services to be provided by the independent auditor will be established annually by the audit committee and the committee may also determine the appropriate ratio between the total amount of fees for audit, audit-related, tax services and other services. All requests for services to be provided by the independent auditor will be submitted to our Chief Financial Officer, who will determine whether such services are included within the enumerated pre-approved services. The audit committee will be informed on a timely basis of any pre-approved services that were performed by the auditor. Requests for services that require specific pre-approval will be submitted to the audit committee with a statement as to whether, in the view of the Chief Financial Officer and the independent auditor, the request is consistent with the SEC’s rules on auditor independence. The Chief Financial Officer will monitor the performance of all services and determine whether such services are in compliance with the policy.

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

None.

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

Not applicable.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

We are a foreign private issuer whose ordinary shares are listed on the NASDAQ Global Select Market. As such, we are required to comply with U.S. federal securities laws, including the Sarbanes-Oxley Act, and the NASDAQ Listing Rules, including the NASDAQ corporate governance requirements. The NASDAQ Listing Rules provide that foreign private issuers may follow home country practice in lieu of certain qualitative listing requirements subject to certain exceptions and except to the extent that such exemptions would be contrary to U.S. federal securities laws, so long as the foreign issuer discloses that it does not follow such listing requirement and describes the home country practice followed in its reports filed with the SEC. Below is a concise summary of the significant ways in which our corporate governance practices differ from the corporate governance requirements of NASDAQ applicable to domestic U.S. listed companies:

Shareholder Approval. Although the NASDAQ Listing Rules generally require shareholder approval of equity compensation plans and material amendments thereto, we follow Israeli practice, which is to have such plans and amendments approved only by the board of directors, unless such arrangements are for the compensation of chief executive officer or directors, in which case they also require the approval of the compensation committee and the shareholders.

In addition, rather than follow the NASDAQ Listing Rules requiring shareholder approval for the issuance of securities in certain circumstances, we follow Israeli law, under which a private placement of securities requires approval by our board of directors and shareholders if it will cause a person to become a controlling shareholder (generally presumed at 25% ownership) or if:

- the securities issued amount to 20% or more of our outstanding voting rights before the issuance;
- some or all of the consideration is other than cash or listed securities or the transaction is not on market terms; and
- the transaction will increase the relative holdings of a shareholder that holds 5% or more of our outstanding share capital or voting rights or will cause any person to become, as a result of the issuance, a holder of more than 5% of our outstanding share capital or voting rights.

Shareholder Quorum. The NASDAQ Listing Rules require that an issuer have a quorum requirement for shareholders meetings of at least one-third of the outstanding shares of the issuer's common voting stock. We have chosen to follow home country practice with respect to the quorum requirements of an adjourned shareholders meeting. Our articles of association, as permitted under the Companies Law, provide that if at the adjourned meeting a legal quorum is not present after 30 minutes from the time specified for the commencement of the adjourned meeting, then the meeting shall take place regardless of the number of members present and in such event the required quorum shall consist of any number of shareholders present in person or by proxy.

Annual Reports. While the NASDAQ Listing Rules generally require that companies send an annual report to shareholders prior to the annual general meeting, we follow the generally accepted business practice for companies in Israel. Specifically, we file annual reports on Form 20-F, which contain financial statements audited by an independent accounting firm, electronically with the SEC and post a copy on our website.

Executive Sessions. While the NASDAQ Listing Rules require that "independent directors," as defined in the NASDAQ Listing Rules, must have regularly scheduled meetings at which only "independent directors" are present. Israeli law does not require, nor do our independent directors necessarily conduct, regularly scheduled meetings at which only they are present.

Approval of Related Party Transactions. Although the NASDAQ Listing Rules require the approval of the audit committee or another independent body of a company's board of directors for all "related party transactions" required to be disclosed pursuant to Item 7.B. of Form 20-F, we follow the provisions of the Israeli Companies Law. Specifically, that all related party transactions are approved in accordance with the requirements and procedures for approval of interested party acts and transactions, set forth in sections 268 to 275 of the Israeli Companies Law, and the regulations promulgated thereunder, which allow for the approval of certain related party transactions, which are immaterial, in the normal course of business and on market terms, by the board of directors. Other specified transactions can require audit committee approval and shareholder approval, as well as board approval. See also "Item 10.B Memorandum and Articles of Association — Approval of Related Party Transactions" for the definition and procedures for the approval of related party transactions.

Compensation Committee. The NASDAQ Listing Rules require a listed company to have a compensation committee composed entirely of independent directors that operates pursuant to a written charter addressing its purpose, responsibilities and membership qualifications and may receive counseling from independent consultants, after evaluating their independence. We have a compensation committee whose purpose, responsibilities and membership qualifications are governed by the Israeli Companies Law, as described under Item 6.C "Board Practices—Committees of the Board of Directors—Compensation Committee." There are no specific independence evaluation requirements for outside consultants.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

Not applicable.

ITEM 18. FINANCIAL STATEMENTS

The following financial statements and related auditors' report are filed as part of this annual report:

PERION NETWORK LTD. AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2015

IN U.S. DOLLARS

INDEX

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF

PERION NETWORK LTD.

We have audited the accompanying consolidated balance sheets of Perion Network Ltd. ("the Company") and its subsidiaries as of December 31, 2014 and 2015, and the related consolidated statements of income (operations), comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2015. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries at December 31, 2014 and 2015, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Perion's Network Ltd. internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated March 24, 2016 expressed an unqualified opinion thereon.

/s/ KOST FORER GABBAY & KASIERER
KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

Tel-Aviv, Israel
March 24, 2016

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF

PERION NETWORK LTD.

We have audited Perion Network Ltd. and subsidiaries (the "Company") internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). The Company's management is responsible for maintaining effectiveness of internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

As indicated in the accompanying Management annual report on internal control over financial reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Interactive Holding Corp. and Make Me Reach SAS (the "Acquired Entities"). The Acquired Entities assets, net assets, revenues and net income are included in the Company's 2015 consolidated financial statements and constituted 57% and 51% of total assets and net assets, respectively, as of December 31, 2015 and 9% and 9% of revenues and net loss, respectively, for the year then ended. Our audit of internal control over financial reporting of Perion Network Ltd. and subsidiaries also did not include an evaluation of the internal control over financial reporting of the Acquired Entities.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of December 31, 2014 and 2015 and the related consolidated statements of income (operations), comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2015 of Perion Network Ltd. and subsidiaries and our report dated March 24, 2016 expressed an unqualified opinion thereon.

/s/ KOST FORER GABBAY & KASIERER
KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

Tel-Aviv, Israel
March 24, 2016

CONSOLIDATED BALANCE SHEETS

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

	December 31, 2014	December 31, 2015
Assets		
Current Assets:		
Cash and cash equivalents	$ 101,183	$ 17,519
Short-term bank deposits	15,000	42,442
Accounts receivable (net of allowance of $1,035 and $1,063 at December 31, 2014 and 2015, respectively)	30,808	66,662
Prepaid expenses and other current assets	9,164	17,396
Total Current Assets	**156,155**	**144,019**
Property and equipment, net	12,180	12,714
Intangible assets, net	16,890	66,072
Goodwill	164,092	203,693
Deferred taxes	4,917	12,344
Other assets	1,905	3,456
Total Assets	**$ 356,139**	**$ 442,298**
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable	$ 21,173	$ 40,388
Accrued expenses and other liabilities	25,517	22,857
Short-term loans and current maturities of long-term and convertible debt	2,300	23,756
Deferred revenues	7,323	7,731
Payment obligation related to acquisitions	8,587	11,893
Total Current Liabilities	**64,900**	**106,625**
Long-Term Liabilities:		
Long-term debt, net of current maturities	1,950	46,920
Convertible debt, net of current maturities	35,752	28,371
Payment obligation related to acquisitions	5,058	37,231
Deferred taxes	331	19,456
Other long term liabilities	2,151	3,858
Total Liabilities	**110,142**	**242,461**
Commitments and Contingencies		
Shareholders' Equity:		
Ordinary shares of ILS 0.01 par value - Authorized: 120,000,000 shares; Issued: 69,548,450 and 76,157,506 shares at December 31, 2014 and 2015, respectively; Outstanding: 69,202,431 and 75,811,487 shares at December 31, 2014 and 2015, respectively	189	206
Additional paid-in capital	203,984	227,258
Treasury shares at cost (346,019 shares at December 31, 2014 and 2015)	(1,002)	(1,002)
Accumulated other comprehensive loss	-	(794)
Retained earnings (accumulated deficit)	42,826	(25,831)
Total Shareholders' Equity	**245,997**	**199,837**
Total Liabilities and Shareholders' Equity	**$ 356,139**	**$ 442,298**

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

CONSOLIDATED STATEMENTS OF INCOME

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

	Year ended December 31		
	2013	**2014**	**2015**
Revenues:			
Search	$ 277,275	$ 330,757	$ 172,277
Advertising and other	48,233	57,974	48,673
Total Revenues	**325,508**	**388,731**	**220,950**
Costs and Expenses:			
Cost of revenues	6,104	27,817	16,195
Customer acquisition and media buy costs	185,355	174,575	91,217
Research and development	22,394	44,129	26,377
Selling and marketing	10,298	25,388	28,270
General and administrative	19,115	37,605	31,520
Restructuring charges	-	3,981	1,052
Impairment, net of change in fair value of contingent consideration	-	19,941	92,340
Total Costs and Expenses	**243,266**	**333,436**	**286,971**
Income (Loss) from Operations	**82,242**	**55,295**	**(66,021)**
Financial income (expense), net	2,782	(2,888)	(1,939)
Income (Loss) before Taxes on Income	**85,024**	**52,407**	**(67,960)**
Taxes on income	22,616	9,581	697
Net Income (Loss) from Continuing Operations	**62,408**	**42,826**	**(68,657)**
Net loss from discontinued operations	(33,795)	-	-
Net Income (Loss)	**$ 28,613**	**$ 42,826**	**$ (68,657)**
Net Earnings (Loss) per Share - Basic:			
Continuing operations	$ 1.16	$ 0.63	$ (0.96)
Discontinued operations	$ (0.63)	$ -	$ -
Net income (Loss)	**$ 0.53**	**$ 0.63**	**$ (0.96)**
Net Earnings (Loss) per Share – Diluted:			
Continuing operations	$ 1.14	$ 0.58	$ (0.96)
Discontinued operations	$ (0.62)	$ -	$ -
Net income (Loss)	**$ 0.52**	**$ 0.58**	**$ (0.96)**
Weighted average number of shares – Basic:			
Continuing operations	53,910,741	68,213,209	71,300,432
Discontinued operations	53,910,741	-	-
Weighted average number of shares – Diluted:			
Continuing operations	54,837,307	70,327,411	71,300,432
Discontinued operations	54,837,307	-	-

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

U.S. dollars in thousands

	Year ended December 31		
	2013	**2014**	**2015**
Net income (Loss)	**$ 28,613**	**$ 42,826**	**$ (68,657)**
Other comprehensive income (loss):			
Cash Flow Hedge:			
Unrealized gain (loss) from cash flow hedges	-	(62)	206
Less: reclassification adjustment for net gains included in net income (loss)	-	62	(178)
Net change	-	-	28
Change in foreign currency translation adjustment	-	-	(822)
Other comprehensive (loss)	-	-	(794)
Comprehensive Income (Loss)	**$ 28,613**	**$ 42,826**	**$ (69,451)**

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

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

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

	Common stock		Preferred stock		Additional paid-in capital	Accumulated Other Comprehensive Loss	Retained earnings	Treasury shares	Total shareholders' equity
	Number of Shares	$	Number of Shares	$	$	$	$	$	$
Balance as of December 31, 2012	**37,303,298**	**100**	**16,602,292**	**44**	**22,830**	**-**	**222,049**	**(1,002)**	**244,021**
Conversion of preferred shares into ordinary shares	16,602,292	44	(16,602,292)	(44)	-	-	-	-	-
Dividend paid upon consummation of the spin-off	-	-	-	-	-	-	(65,009)	-	(65,009)
Dividend in-kind upon consummation of the spin-off	-	-	-	-	(26,015)	-	(185,653)	-	(211,668)
Stock-based compensation	-	-	-	-	13,220	-	-	-	13,220
Exercise of stock options	847,992	3	-	-	847	-	-	-	850
Net income	-	-	-	-	-	-	28,613	-	28,613
Balance as of December 31, 2013	**54,753,582**	**147**	**-**	**-**	**10,882**	**-**	**-**	**(1,002)**	**10,027**
Issuance of shares related to acquisitions	13,124,100	38	-	-	171,514	-	-	-	171,552
Acquisition related expenses paid by the shareholders	-	-	-	-	3,060	-	-	-	3,060
Contribution by shareholders	-	-	-	-	1,803	-	-	-	1,803
Stock-based compensation	-	-	-	-	15,145	-	-	-	15,145
Exercise of stock options	1,324,749	4	-	-	1,580	-	-	-	1,584
Net income	-	-	-	-	-	-	42,826	-	42,826
Balance as of December 31, 2014	**69,202,431**	**189**	**-**	**-**	**203,984**	**-**	**42,826**	**(1,002)**	**245,997**
Issuance of shares related to acquisitions	1,798,837	5	-	-	5,574	-	-	-	5,579
Issuance of shares in private placement, net of issuance cost of $105	4,436,898	11	-	-	10,009	-	-	-	10,020
Stock-based compensation	-	-	-	-	7,679	-	-	-	7,679
Exercise of stock option and vesting of restricted stock units	373,321	1	-	-	12	-	-	-	13
Other comprehensive loss						(794)			(794)
Net loss	-	-	-	-	-	-	(68,657)	-	(68,657)
Balance as of	**75,811,487**	**206**	**-**	**-**	**227,258**	**(794)**	**(25,831)**	**(1,002)**	**199,837**

December 31, 2015	
Accumulated unrealized gain from hedging activities	28
Accumulated other comprehensive loss	(822)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Year ended December 31		
	2013	**2014**	**2015**
Operating activities:			
Net income (loss)	$ 28,613	$ 42,826	$ (68,657)
Loss from discontinued operations, net	(33,795)	-	-
Income (loss) from continuing operations	**62,408**	**42,826**	**(68,657)**
Adjustments required to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	2,110	21,413	11,972
Impairment of intangible assets and goodwill	-	19,941	98,904
Restructuring costs related to impairment of property and equipment	-	632	124
Stock-based compensation expense	10,405	15,145	7,429
Issuance of ordinary shares related to acquisition employees retention	-	-	63
Foreign currency translation	-	-	(347)
Acquisition related expenses paid by shareholders	-	3,060	-
Accretion of payment obligation related to acquisition	-	1.067	311
Accrued interest, net	1,170	655	37
Deferred taxes, net	-	(13,851)	(8,973)
Accrued severance pay, net	24	392	238
Change in payment obligation related to acquisitions	-	713	(5,937)
Fair value revaluation - convertible debt	-	(2,566)	175
Loss from sale of property and equipment	-	121	17
Net changes in operating assets and liabilities:			
Accounts receivable, net	18,032	(23,568)	3,362
Prepaid expenses and other	(2,533)	(5,020)	(3,402)
Accounts payable	8,681	2,228	(3,725)
Accrued expenses and other liabilities	(8,756)	9,741	(13,250)
Deferred revenues	(6,250)	(887)	(772)
Net cash provided by continuing operating activities	85,291	72,042	17,569
Net cash used in discontinued operating activities	(23,939)	-	-
Net cash provided by operating activities	**$ 61,352**	**$ 72,042**	**$ 17,569**
Investing activities:			
Purchases of property and equipment	$ (1,916)	$ (10,882)	$ (2,029)
Proceeds from sale of property and equipment	-	58	24
Capitalization of development costs	-	-	(4,005)
Restricted cash, net	-	(202)	50
Investments in short-term deposits, net	(75,957)	(15,000)	(27,442)
Net cash acquired in (paid in) in connection with acquisition, net	-	19,042	(87,044)
Net cash used in continuing investing activities	(77,873)	(6,984)	(120,446)
Net cash provided by discontinued investing activities	898	-	-
Net cash used in investing activities	**$ (76,975)**	**$ (6,984)**	**$ (120,446)**
Financing activities:			
Issuance of shares in private placement, net	-	-	10,020
Dividend paid upon consummation of spin-off	(65,009)	-	-
Exercise of stock options	850	1,584	13
Contribution by shareholders	-	585	-
Payments made in connection with acquisition	-	(2,545)	(1,534)
Proceeds from the issuance of convertible debt	-	37,852	-
Proceeds from short-term loans	-	-	13,000
Repayment of long-term loans	-	(2,300)	(2,300)
Net cash provided by (used in) continuing financing activities	**$ (64,159)**	**$ 35,176**	**$ 19,199**
Effect of exchange rate changes on cash and cash equivalents	-	-	14
Net increase (decrease) in cash and cash equivalents	**$ (79,782)**	**$ 100,234**	**$ (83,664)**
Decrease in cash and cash equivalents - discontinued activities	2,336	-	-
Cash and cash equivalents at beginning of year	78,395	949	101,183
Cash and cash equivalents at end of year	**$ 949**	**$ 101,183**	**$ 17,519**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Year ended December 31		
	2013	**2014**	**2015**
Supplemental Disclosure of Cash Flow Activities:			
Cash paid during the year for:			
Income taxes	$ 40,694	$ 20,855	$ 21,340
Interest	$ -	$ 260	$ 2,260
Purchase of property and equipment on credit	$ -	$ 1,205	$ 312
Non-cash financing activities			
Issuance of shares in connection with acquisitions	$ -	$ 171,552	$ 5,579
Contribution by shareholders	$ -	$ 1,218	$ -
Acquisition related expenses paid by shareholders	$ -	$ 3,060	$ -
Dividend in kind upon consummation of spin-off	$ 211,668	$ -	$ -
Stock-based compensation that was capitalized as part of capitalization of software development costs	$ -	$ -	$ 187

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 1: GENERAL

Perion Network Ltd. ("Perion") and its wholly-owned subsidiaries (collectively referred to as the "Company"), is a global technology company, providing high-quality advertising solutions to brands and publishers, high-impact ad formats that capture consumer attention and drives engagement, branded search providing publishers with engagement and monetization solutions and a unified social and mobile programmatic platform for acquiring and engaging app users.

On February 10, 2015, the Company completed the acquisition of Make Me Reach SAS ("MMR") and on November 30, 2015, completed the acquisition of Interactive Holding Corp (see Note 3).

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements include the accounts of Perion and its subsidiaries. All Intercompany balances and transactions have been eliminated.

Commencing in 2014, the acquisition of ClientConnect Ltd. (“ClientConnect”) is reflected in the Company's financial statements as a reverse acquisition of all of Perion's outstanding shares and options by ClientConnect, in accordance with Accounting Standards Codification (“ASC”) 805, "Business Combinations". Under ASC 805, ClientConnect is considered as the acquirer and the Company is viewed as the acquiree and therefore, the comparative amounts as included in these financial statements, namely, the related consolidated statements of income, comprehensive income, changes in shareholders’ equity and cash flows for the year ended December 31, 2013, represent ClientConnect’s amounts and results for those periods.

Use of estimates

The preparation of the consolidated financial statements in conformity with U.S. Generally Accepted Accounting Principles (“GAAP”) requires management to make estimates, judgments and assumptions that affect the amounts reported and disclosed in the financial statements and the accompanying notes. Actual results could differ materially from those estimates. On an ongoing basis, the Company's management evaluates its estimates, including those related to accounts receivable, intangible assets and goodwill, fair values and useful lives of intangible assets, fair values of stock-based awards, allowance for doubtful accounts, realizability of deferred tax assets, income taxes, and contingent liabilities, among others. Such estimates are based on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of the Company’s assets and liabilities.

Financial statements in U.S. dollars

The reporting currency of the Company is the U.S. dollar (“USD”). Major parts of the Company’s operations are carried out by the Company and its subsidiaries in the United States and Israel. The functional currency of these entities is the USD. Accordingly, monetary accounts maintained in currencies other than the USD are remeasured into USD, in accordance with ASC 830, "Foreign Currency Matters". All transaction gains and losses resulting from the remeasurement of the monetary balance sheet items are reflected in the statement of income as financial income or expenses, as appropriate.

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

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Management believes that the USD is the currency of the primary economic environment in which the Company operates. The financial statements of other subsidiaries, whose functional currency is determined to be their local currency, have been translated into dollars. All balance sheet accounts have been translated using the exchange rates in effect at the balance sheet date. Statement of operations amounts have been translated using the average exchange rate for the applicable year. The resulting translation adjustments are reported as an accumulated other comprehensive income (loss) component of shareholders' equity.

Cash and cash equivalents and short-term deposits

The Company considers all short-term, highly liquid and unrestricted cash balances, with stated maturities of three months or less from date of purchase, as cash equivalents. Short-term deposits are bank deposits with maturities of more than three months, but less than one year. The short-term deposits as of December 31, 2014 and 2015 are denominated in USD and bear interest at an average annual rate of 0.49% and 0.72%, respectively.

Restricted cash

Restricted cash is comprised primarily of security deposits that are held to secure the Company’s hedging activity, lease obligations and certain letter of credits associated with lease obligation. Restricted cash in the amount of $696 and $646 as of December 31, 2014 and 2015, respectively, are included under Prepaid expenses and other current assets.
Restricted cash as of December 31, 2015, in the amount of $1,182 is included under Other assets in the accompanying balance sheets.

Accounts receivable and allowance for doubtful accounts

Trade accounts receivables are stated at realizable value, net of an allowance for doubtful accounts. The Company evaluating its outstanding accounts receivable and establishes an allowance for doubtful accounts based on information available on their credit condition, current aging, and historical experience. These allowances are reevaluated and adjusted periodically as additional information is available.

Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and amortization. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets at the following annual rates:

	%
Computers and peripheral equipment	33
Office furniture and equipment	6 - 15

Leasehold improvements are amortized using the straight-line method over the term of the lease or the estimated useful life of the improvements, whichever is shorter.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Internally Developed Software

The Company capitalizes certain internal and external software development costs, consisting primarily of direct labor associated with creating the internally developed software. Software development projects generally include three stages: the preliminary project stage (all costs expensed as incurred), the application development stage (costs are capitalized) and the post implementation/operation stage (all costs expensed as incurred). The costs capitalized in the application development stage primarily include the costs of designing the application, coding and testing of the system. Capitalized costs are amortized using the straight line method over the estimated useful life of the software, generally 3 years, once it is ready for its intended use. The Company believes the straight line recognition method best approximates the manner in which the expected benefit will be derived. During 2015, the Company capitalized software development costs of $4,192 (including $187 of stock-based compensation). Amortization expense for the related capitalized internally developed software in 2015 totaled $245, and is included in Cost of revenues in the accompanying consolidated statements of operations. Management evaluates the useful lives of these assets on an annual basis and tests for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets. As a result of changes in circumstances, management decided to abandon certain projects and therefore recorded $3,390 impairment in 2015. Capitalized software development costs of $557 are included in property and equipment in the consolidated balance sheets as of December 31, 2015 (see Note 4).

Impairment of long-lived assets and intangible assets subject to amortization

Property and equipment and intangible assets subject to amortization are reviewed for impairment in accordance with ASC 360, "Accounting for the Impairment or Disposal of Long-Lived Assets", whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. The recoverability of these assets is measured by comparing the carrying amounts to the future undiscounted cash flows the assets are expected to generate. If property and equipment and intangible assets are considered to be impaired, the impairment to be recognized equals the amount by which the carrying value of the asset exceeds its fair market value.

In determining the fair values of long-lived assets for purpose of measuring impairment, the Company's assumptions include those that market participants will consider in valuations of similar assets.

In 2014 and 2015, the Company recorded impairment charges of $19,941 and $8,471, respectively with respect to intangible assets subject to amortization (see Note 5).

In addition, in connection with the restructuring plans of the Company in 2014 and 2015, the Company recorded, an impairment of $632 and $159, respectively, related to its property and equipment.

Goodwill and other intangible assets

Goodwill reflects the excess of the purchase price of business acquired over the fair value of net assets acquired. Goodwill is not amortized but instead is tested for impairment, in accordance with ASC 350, “Intangibles – Goodwill and Other”, at least annually at December 31 each year, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The first step, identifying a potential impairment, compares the fair value of the reporting unit with its carrying amount. If the carrying amount exceeds its fair value, the second step would need to be performed; otherwise, no further step is required. The second step, measuring the impairment loss, compares the implied fair value of the goodwill with the carrying amount of the goodwill.

Any excess of the carrying amount over the applied fair value is recognized as an impairment loss, and the carrying value of goodwill is written down to fair value.

The Company determined that certain indicators of potential impairment existed during 2015, which triggered goodwill impairment analysis for its reporting units. These indicators included a decrease in the Company's share price and lower than expected sales and cash flow as well as management decisions to abandon certain R&D projects. Based on the goodwill assessment for the search monetization reporting unit and Growmobile reporting unit, the Company determined that the carrying amount of the reporting units exceeds their fair value and recorded an impairment of $87,043 to its goodwill. No such impairment losses were recorded in 2013 and 2014.

The majority of the inputs used in the discounted cash flow model to determine the fair value of the reporting units are unobservable and thus are considered to be Level 3 inputs.

Intangible assets that are not considered to have an indefinite useful life are amortized over their estimated useful lives. The acquired customer arrangements, technology and logo are amortized over their estimated useful lives in proportion to the economic benefits realized. This accounting policy results in accelerated amortization of such intangible assets as compared to the straight-line method.

Deferred Financing Costs

Direct and incremental costs related to the issuance of debt are capitalized as deferred financing costs and are deducted from the carrying amount of that debt in the consolidated balance sheets.
The Company amortizes deferred financing costs using the effective-interest method and records such amortization as interest expense.

Revenue recognition

The Company generates revenues primarily from two major sources:

Search Revenues - the Company obtains the majority of its revenues from service agreements with its search partners. Search revenue is generated primarily from monthly transaction volume-based fees earned by the Company for making its applications available to online publishers and app developers (either based on fixed price models, pay-per-search fee or portion of the revenue generated by the search partners).

Advertising Revenues - the Company generates a portion of its revenues from users' clicks on text-based links to advertisers' websites, or sponsored links. Ads are incorporated into the download and installation process of the app developers software or through browser extension that offer recommendations, deals, coupons and relevant content to users as they browse online. Following the Undertone acquisition (see Note 3), advertising revenues are generated also from delivering, primarily high impact, ad formats creatively designed to capture consumer attention and drive engagement, across a hand-picked portfolio of websites and mobile applications.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Company evaluates whether Search and Advertising Revenues should be presented on a gross basis, which is the amount that a customer pays for the service, or on a net basis, which is the customer payment less amounts the Company pays to suppliers. In making that evaluation, the Company considers indicators such as whether the Company is the primary obligor in the arrangement and assumes risks and rewards as a principal or an agent, including the credit risk, whether the Company has latitude in establishing prices and selects its suppliers and whether it changes the products or performs part of the service.

The evaluation of these factors is subject to significant judgment and subjectivity. Generally, when the Company is primarily obligated in a transaction, is subject to risk, involved in the determination of the product or the service specifications, separately negotiates each revenue service agreement or publisher agreement and can have several additional indicators, revenue is recorded on a gross basis.

The Company recognizes revenue when all four revenue recognition criteria have been met: persuasive evidence of an arrangement exists, services are rendered, the fee or price charged is fixed or determinable and collectability is reasonably assured. Deferred revenue is recorded when payments are received from customers in advance of the Company's rendering of services.

Cost of revenues

Cost of revenues consists primarily of expenses associated with the operation of the Company’s data centers, including depreciation, labor, energy, and bandwidth costs, amortization of acquisition-related intangible assets, as well as content acquisition costs. The direct cost relating to search and advertising revenues is immaterial.

Customer acquisition and media buy costs

Customer acquisition and media buy costs consist of amounts paid to publishers and app developers who distribute the Company’s applications and other products and the costs of advertising inventory incurred to deliver ads. These amounts are primarily based on fixed fee and revenue share arrangements with minimum guaranty and are charged as incurred.

Research and development costs

Research and development costs are charged to the statement of income as incurred, except for certain costs relating to internally developed software, which are capitalized and amortized on a straight line basis over their estimated useful life once the asset is placed in service.

Income taxes

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

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

The Company accrued interest and penalties related to unrecognized tax benefits in its financial expenses.

Severance pay

With regards to employees in Israel, where there is a mandated severance liability, most of the Company's agreements with employees are in accordance with section 14 of the Severance Pay Law, 1963 (“Section 14”), where the Company's contributions for severance pay shall be instead of its severance liability.

Upon contribution based on the full amount of the employee's monthly salary, and release of the policy to the employee, no additional severance payments shall be made by the Company to the employee. Therefore, the related obligation and amounts deposited on behalf of such obligation are not stated on the balance sheet, as the Company is legally released from obligation to employees once the deposit amounts have been paid.

The Company's liability for severance pay to employees not under Section 14, is calculated pursuant to Israel's Severance Pay Law based on the most recent monthly salaries of such employees, multiplied by the number of years of their employment, or a portion thereof, as of the balance sheet date. This liability is fully provided for by monthly deposits in insurance policies and by an accrual. The deposited funds include profits and losses accumulated up to the balance sheet date and they may be withdrawn only upon the fulfillment of the obligation pursuant to Israel's Severance Pay Law or labor agreements.

Severance expenses from continuing operations for the years ended December 31, 2013, 2014 and 2015 amounted to $1,296, $3,330 and $2,310, respectively. Severance expenses from discontinued operations for the year ended December 31, 2013 amounted to $1,080. The balances of severance deposits and accrued severance pay are immaterial and included in other assets and other long-term liabilities on the accompanying balance sheets, respectively.

Employee benefit plan

The Company’s U.S. operations maintain a retirement plan (the “U.S. Plan”) that qualifies as a deferred salary arrangement under Section 401(k) of the Internal Revenue Code. Participants in the U.S. Plan may elect to defer a portion of their pre-tax earnings, up to the Internal Revenue Service annual contribution limit. The Company matches 100% of each participant’s contributions, up to 3% of employee deferral, and 50% of the next 2% of employee deferral. Contributions to the U.S. Plan are recorded during the year contributed as an expense in the consolidated statement of income.

Total employer 401(k) contributions for the years ended December 31, 2013, 2014 and 2015 were $61, $116 and $247, respectively.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Comprehensive income (loss)

The Company accounts for comprehensive income (loss) in accordance with ASC 220, "Comprehensive Income". This statement establishes standards for the reporting and display of comprehensive income and its components in a full set of general purpose financial statements. Comprehensive income generally represents all changes in shareholders' equity during the period except those resulting from investments by, or distributions to, shareholders. The Company determined that its other comprehensive income (loss) relates to hedging derivative instruments and foreign currency translation.

Net earnings per share

In accordance with ASC 260, "Earnings Per Share", basic net earnings per share ("Basic EPS") is computed by dividing net earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted net earnings per share ("Diluted EPS") reflects the potential dilution that could occur if stock options and other commitments to issue ordinary shares were exercised or equity awards vested, resulting in the issuance of ordinary shares that could share in the net earnings of the Company.

The weighted average number of ordinary shares related to the outstanding options, restricted shares, convertible debt and warrants excluded from the calculations of diluted net earnings per ordinary share, as these securities are anti-dilutive, was 2,778,618, 3,766,080 and 14,179,439 for the years ended December 31, 2013, 2014 and 2015, respectively.

Concentrations of credit risk

Financial instruments, that potentially subject the Company to a concentration of credit risk, consist primarily of cash and cash equivalents, bank deposits, restricted cash and accounts receivable.

The majority of the Company’s cash and cash equivalents, bank deposits and restricted cash are invested in USD instruments with major banks in the U.S. and Israel. Deposits in the U.S. may be in excess of insured limits and are not insured in other jurisdictions. Generally, these deposits may be redeemed upon demand and, therefore, bear minimal risk.

The Company’s major customers are financially sound, and the Company believes low credit risk is associated with these customers. To date, the Company has not experienced any material bad debt losses. Total expenses for doubtful debts during 2013, 2014 and 2015 amounted to $0, $1,035 and $104, respectively.

Stock-based compensation

The Company accounts for stock-based compensation under ASC 718, "Compensation - Stock Compensation", which requires the measurement and recognition of compensation expense based on estimated fair values for all share-based payment awards made to employees and directors. ASC 718 requires companies to estimate the fair value of equity-based awards on the date of grant, using an option-pricing model. The value of the portion of the award that is ultimately expected to vest, is recognized as an expense over the requisite service periods in the Company's consolidated statement of income. ASC 718 requires forfeitures to be estimated at the time of grant, and revised if necessary in subsequent periods, if actual forfeitures differ from those estimates.

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

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Company recognizes compensation expenses for the value of its awards, which have graded vesting based on service conditions, using the straight line method, over the requisite service period of each of the awards, net of estimated forfeitures. Estimated forfeitures are based on actual historical pre-vesting forfeitures. For performance-based stock units, the Company recognizes compensation expenses for the value of such awards, if and when the Company concludes that it is probable that a performance condition will be achieved based on the accelerated attribution method over the requisite service period. The Company should reassess the probability of vesting at each reporting period for awards with performance conditions and adjust compensation cost based on its probability assessment.

The Company accounted for changes in award terms as a modification in accordance with ASC 718. A modification to the terms of an award should be treated as an exchange of the original award for a new award with total compensation cost equal to the grant-date fair value of the original award plus the incremental value measured at the same date. Under ASC 718, the calculation of the incremental value is based on the excess of the fair value of the new (modified) award based on current circumstances over the fair value of the original award measured immediately before its terms are modified based on current circumstances.

Prior to 2014 and the acquisition of Perion, ClientConnect used the Black-Scholes-Merton option pricing model to determine the fair value of its stock-based awards. Following Perion's acquisition on January 2, 2014, the Company estimates the fair value of its new stock-based awards using the Binomial option-pricing model. The change from the Black-Scholes-Merton to the Binomial option-pricing model is considered a change in accounting estimate and its impact on the estimated fair value of the Company's stock-based awards is minimal.

The following table presents the various assumptions used to estimate the fair value of the Company's stock-based awards granted to employees and directors in the periods presented:

	Year ended December 31		
	2013	2014	2015
Risk-free interest rate	0.93% - 1.91%	0.10% - 1.72%	0.17% - 1.76%
Expected volatility	50%	44.44% - 51.62%	43.49% - 50.31%
Expected term (years)	6.25	-	-
Early exercise factor	-	100% - 256%	160% - 210%
Forfeiture rate post vesting	-	0% - 15%	0% - 18%
Dividend yield	0%	0%	0%

The stock-based awards prior to 2014 were granted by Conduit Ltd. ("Conduit"), the previous owner of the ClientConnect business, which was not a publicly traded company and therefore, the expected volatility of grants in those periods was calculated based on certain peer companies that Conduit considered to be comparable. Starting in 2014, the expected volatility is calculated based on the actual historical stock price movements of the Company's stock.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The expected option term represents the period that the Company's stock options are expected to be outstanding. Prior to 2014, the expected option term for share-option awards which were at the money when granted has been determined by Conduit based on the simplified method in accordance with Staff Accounting Bulletin No. 110, as adequate historical experience was not available to provide a reasonable estimate. For share-option awards which were in the money when granted, Conduit used an expected term which it believed to be appropriate under these circumstances. Such estimate was not materially different than determining the expected term based on a lattice model, and then use it as an input to the Black-Scholes-Merton option pricing model.

Starting in 2014, the early exercise factor and the forfeiture rate post-vesting are calculated based on the Company's estimated early exercise and post-vesting forfeiture multiples, which are based on comparable companies and on actual historical data.

The risk-free interest rate is based on the yield from U.S. Treasury zero-coupon bonds, with a term which is equivalent to the expected term of the stock-based awards. The dividend yield is based on the current decision of the Company's management not to distribute any dividends.

The fair value of restricted stock units ("RSU") is based on the market value of the underlying shares on the date of grant.

Derivative instruments

The Company accounts for derivatives and hedging based on ASC 815, "Derivatives and Hedging", which requires recognizing all derivatives on the balance sheet at fair value. If the derivatives meet the definition of a cash flow hedge and are so designated, depending on the nature of the hedge, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income and reclassified into earnings in the same period, or periods, during which the hedged transaction affects earnings. The ineffective portion of a derivative's change in fair value, if any, is recognized in earnings, as well as gains and losses from a derivative's change in fair value that are not designated as hedges are recognized in earnings immediately.

Starting 2014, in order to mitigate the potential adverse impact on cash flows resulting from fluctuations in the exchange rate of the new Israeli shekels ("ILS"), the Company started to hedge portions of its forecasted expenses denominated in ILS with swap and options contracts. In addition, the Company has entered into a cross currency interest rate swap agreement in order to transform cash flow in ILS into USD of interest payments and principal as derived from the Company's convertible debt conditions (see note 9). The Company does not speculate in these hedging instruments in order to profit from foreign currency exchanges, nor does it enter into trades for which there are no underlying exposures.

The swap contracts were not designated as hedging instruments and therefore gains or losses resulting from the change of their fair value are recognized in "financial income, net". As of December 31, 2014 and 2015, the Company had derivative assets of $1,349 and $608, respectively and liabilities of $1,779 and $214, respectively, representing the fair value of outstanding swap and cylinder contracts. The Company measured the fair value of these contracts in accordance with ASC 820, "Fair Value Measurement and Disclosures", and they were classified as level 2. Net gain (loss) from hedging transactions recognized in financial expenses, net, during 2015 and 2014, was ($175) and $125, respectively. No such gains or losses were recorded in 2013.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The notional value of the Company's derivative instruments as of December 31, 2014 and 2015, amounted to $43,520 and $57,052, respectively. Notional values in USD are translated and calculated based on the spot rates for options and swap. Gross notional amounts do not quantify risk or represent assets or liabilities of the Company, however, they are used in the calculation of settlements under the contracts.

Fair value of financial instruments

The carrying amounts of financial instruments carried at cost, including cash and cash equivalents, short-term deposits, restricted cash, accounts receivable, prepaid expenses and other assets, accounts payable, accrued expenses and other liabilities approximate their fair value due to the short-term maturities of such instruments.

The Company follows the provisions of ASC No. 820, "Fair Value Measurement" ("ASC 820"), which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In determining a fair value, the Company uses various valuation approaches. ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing an asset or liability, based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect assumptions that market participants would use in pricing an asset or liability, based on the best information available under given circumstances.

The hierarchy is broken down into three levels, based on the observability of inputs and assumptions, as follows:

- **Level 1 -** Observable inputs obtained from independent sources, such as quoted prices for identical assets and liabilities in active markets.
- **Level 2 -** Other inputs that are directly or indirectly observable in the market place.
- **Level 3 -** Unobservable inputs which are supported by little or no market activity.

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

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The following table present assets and liabilities, measured at fair value on a recurring basis, as of December 31, 2015:

	Fair value measurements using input type			
	Level 1	Level 2	Level 3	Total
Assets:				
Derivative assets	$ -	$ 608	$ -	$ 608
Total financial assets	**$ -**	**$ 608**	**$ -**	**$ 608**
Liabilities:				
Payment obligation in connection with acquisitions	$ -	$ -	$ 49,124	$ 49,124
Derivative liabilities	-	214	-	214
Convertible debt	35,463	-	-	35,463
Total financial liabilities	**$ 35,463**	**$ 214**	**$ 49,124**	**$ 84,801**

The following table present assets and liabilities, measured at fair value on a recurring basis, as of December 31, 2014:

	Fair value measurements using input type			
	Level 1	Level 2	Level 3	Total
Assets:				
Derivative assets	$ -	$ 1,349	$ -	$ 1,349
Total financial assets	**$ -**	**$ 1,349**	**$ -**	**$ 1,349**
Liabilities:				
Payment obligation in connection with acquisitions	$ -	$ -	$ 13,645	$ 13,645
Derivative liabilities	-	1,779	-	1,779
Convertible debt	35,752	-	-	35,752
Total financial liabilities	**$ 35,752**	**$ 1,779**	**$ 13,645**	**$ 51,176**

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

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The following table summarizes the changes in the Company's liabilities, measured at fair value, using significant unobservable inputs (Level 3), during the year ended December 31, 2015:

Total fair value as of January 1, 2015	**$**	**13,645**
Accretion of contingent liability related to acquisition		311
Change in fair value of contingent consideration related to acquisition		(6,564)
Settlements		(2,500)
Fair value of payment obligation in connection with Undertone acquisition		44,023
Reclassification to accrued expenses		(189)
Changes in fair value recognized in earnings with respect to the employees of Grow Mobile		398
Total fair value as of December 31, 2015	**$**	**49,124**

Treasury shares

In the past, the Company repurchased its ordinary shares on the open market. The Company holds those shares as treasury shares and presents their cost as a reduction of shareholders' equity.

Business combinations

The Company accounted for business combination in accordance with ASC 805, "Business Combinations". ASC 805 requires recognition of assets acquired, liabilities assumed, and any non-controlling interest at the acquisition date, measured at their fair values as of that date. Any excess of the fair value of net assets acquired over purchase price and any subsequent changes in estimated contingencies are to be recorded in earnings. In addition, changes in valuation allowance related to acquired deferred tax assets and in acquired income tax position are to be recognized in earnings.

Acquisition related costs are expensed to the statement of income in the period incurred.

Discontinued operations

Under ASC 205, "Presentation of Financial Statements - Discontinued Operation", when a component of an entity, as defined in ASC 205, has been disposed of or is classified as held for sale, the results of its operations, including the gain or loss on its disposal are classified as discontinued operations and the assets and liabilities of such component are classified as assets and liabilities attributed to discontinued operations; that is, provided that the operations, assets and liabilities and cash flows of the component have been eliminated from the entity's consolidated operations and the entity will no longer have any significant continuing involvement in the operations of the component.

Accordingly, the statements of income and statements of cash flow, related to certain business initiatives at ClientConnect prior to Perion's acquisition, are classified as discontinued operations for the year ended December 31, 2013.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases. ASU 2016-02 requires that long-term lease arrangements be recognized on the balance sheet. The standard is effective for interim and annual periods beginning after December 15, 2018, and early adoption is permitted. The Company is currently evaluating the impact of adoption on its consolidated financial statements.

In November 2015, the FASB issued Accounting Standards Update No. 2015-17 (ASU 2015-17) “Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes”. ASU 2015-17 simplifies the presentation of deferred income taxes by eliminating the separate classification of deferred income tax liabilities and assets into current and noncurrent amounts in the consolidated balance sheet statement of financial position. The amendments in the update require that all deferred tax liabilities and assets be classified as noncurrent in the consolidated balance sheet. The amendments in this update are effective for annual periods beginning after December 15, 2016, and interim periods therein and may be applied either prospectively or retrospectively to all periods presented. Early adoption is permitted. The Company has early adopted this standard in the fourth quarter of 2015 on a retrospective basis. Prior periods have been retrospectively adjusted.

As a result of the adoption of ASU 2015-17, the Company made the following adjustments to the 2014 balance sheet: a $3,000 decrease to current deferred tax assets, a $3,000 increase to noncurrent deferred tax asset, there was no change in noncurrent deferred tax liability.

In September 2015, the FASB issued ASU 2015-16, *Simplifying the Accounting for Measurement-Period Adjustments (Topic 805): Business Combinations*, which requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The standard is effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. The guidance is to be applied prospectively to adjustments to provisional amounts that occur after the effective date of the standard, with earlier application permitted for financial statements that have not been issued. The Company does not expect that the adoption of this ASU will have a significant impact its consolidated financial statements.

In April 2015, the FASB issued guidance on debt issuance costs. The guidance requires entities to present debt issuance costs related to a recognized debt liability as a direct deduction from the carrying amount of that debt in the balance sheet. This guidance does not contain guidance for debt issuance costs related to line-of-credit arrangements. Consequently, in August 2015, the FASB issued additional guidance to add paragraphs indicating that the SEC staff would not object to an entity deferring and presenting debt issuance costs related to line-of-credit arrangements as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. The guidance is effective for the interim and annual periods beginning on or after December 15, 2015. The Company early adopted the guidance for debt outstanding as of December 31, 2015. There was no effect on prior year's presentation.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09 (ASU 2014-09) "Revenue from Contracts with Customers." ASU 2014-09 supersedes the revenue recognition requirements in “Revenue Recognition (Topic 605)”, and requires entities to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. As currently issued and amended, ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period, though early adoption is permitted for annual reporting periods beginning after December 15, 2016. The Company is currently in the process of evaluating the impact of the adoption of ASU 2014-09 on its consolidated financial statements.

NOTE 3: ACQUISITIONS

a. Interactive Holding Corp.

On November 30, 2015, The Company consummated the acquisition of 100% of the shares of Interactive Holding Corp., a Delaware corporation, and its subsidiaries (collectively referred to as "Undertone") for a total purchase price of $133,101, comprised of the following:

1. $89,078 paid in cash;
2. $16,000 were retained as a holdback to cover potential claims until May 31, 2017, for which a liability of $14,391 was recorded at fair value ($14,476 at December 31, 2015);
3. An amount of $3,000 will be paid in installments over the period ending September 2017, for which a liability of $2,804 was recorded at fair value ($2,820 at December 31, 2015);
4. An amount of $20,000, deferred consideration payment, bearing 10% annual interest, will be paid on November 2020, for which a liability of $22,005 was recorded at fair value ($21,859 at December 31, 2015);
5. An amount of $1,182 to be paid on January 29, 2016;
6. An amount of $2,143 excess in tax advances to be paid upon refund from tax authorities during 2016 and;
7. Working capital final adjustment as calculated 90 days after closing in the amount of $1,498 to be paid in cash.

In addition, the Company incurred acquisition related costs totaling $4,804, which are included in general and administrative expenses. Acquisition related costs include banking, legal and accounting fees, as well as other external costs directly related to the acquisition.

The main reason for the acquisition is to continue the strategic evolution of the Company into a global technology company delivering high-quality advertising solutions to brands and publishers. The strategic benefits are to create a differentiated independent ad tech platform with significant scale and profitability, add noteworthy relationships with premium brands, agencies and publishers, enhance mobile footprint, extend programmatic capabilities, broaden product suite with the addition of proprietary, high-impact creative formats and substantially diversify revenue base.

Under business combination accounting principles, the total purchase price was allocated to Undertone's net tangible and intangible assets based on their estimated fair values as set forth below. The excess of the purchase price over the net tangible and identifiable intangible assets was recorded as goodwill. The goodwill is attributable primarily to the strategic opportunities aforementioned. The related goodwill and intangible assets are not deductible for tax purposes.

The estimated fair values are preliminary and based on the information that was available as of the closing date. The Company believes that the information provides a reasonable basis for estimating the fair values, but the Company is waiting for additional information necessary to finalize these amounts, particularly with respect to the estimated fair value of intangible assets. Thus the preliminary measurements of fair value reflected are subject to changes and such changes could be significant. The Company expects to finalize the valuation and complete the purchase price allocation as soon as practicable, but no later than one year from the closing date.

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

NOTE 3: ACQUISITIONS (Cont.)

The preliminary allocation of the purchase price to assets acquired and liabilities assumed is as follows:

Cash	$	7,378
Accounts receivable		38,493
Prepaid expenses and other assets		4,934
Long term restricted cash		1,182
Property and equipment		1,905
Deferred taxes		815
Accounts payable		(23,428)
Accrued expenses and other liabilities		(11,083)
Deferred revenues		(1,047)
Long term loan (including current maturities)		(48,601)
Deferred tax liability		(20,095)
Intangible assets		63,200
Goodwill		119,448
Total purchase price	**$**	**133,101**

Intangible assets:

The fair value of intangible assets was based on market participant approach to valuation, performed by a third party valuation firm using estimates and assumptions provided by management. The following table sets forth the components of intangible assets associated with Undertone acquisition:

		Estimated useful life
Acquired technology (1)	$ 19,500	5 years
Customer relationships (2)	30,000	6 years
Backlog (3)	4,200	less than 1 year
Tradename (4)	9,500	4 years
Total amount allocated to intangible assets	**$ 63,200**	

(1) Acquired technology represents the combined technology for delivering and administering Undertone's attention-grabbing, full-page video adverts and other advertising formats.

(2) Customer relationships represent the existing relationships and agreements with Undertone brands and advertisers.

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

NOTE 3: ACQUISITIONS (Cont.)

(3) Backlog represents customer insertion orders that are highly probable to be turned into revenues in the near future.

(4) Tradename represents trade names and logos under which Undertone markets and sells its services.

The following unaudited condensed combined pro forma information for years ended December 31, 2015 and 2014, gives effect to the acquisition of Undertone as if it had occurred on January 1, 2014. The pro forma information is not necessarily indicative of the results of operations, which actually would have occurred had the acquisition been consummated on that date, nor does it purport to represent the results of operations for future periods. For the purposes of the pro forma information, the Company has assumed that net income (loss) includes additional amortization of intangible assets related to the acquisition of $14,981 and $19,610 in 2015 and 2014, respectively, and related tax effects.

	December 31,	
	2014	2015
Revenues	$ 556,042	$ 350,908
Net income (Loss)	40,129	(84,979)
Net income (loss) per ordinary share:		
Basic	0.59	(1.19)
Diluted	$ 0.57	$ (1.19)

b. Make Me Reach SAS

On February 10, 2015, the Company consummated the acquisition of 100% of the shares of Make Me Reach SAS, a private French Company headquartered in Paris, France ("MMR"). MMR enables mobile app developers to efficiently and effectively scale their advertising campaigns on social media, with a specific focus on optimizing mobile ad campaigns. MMR is a Facebook Preferred Marketing Developer (PMD) and Twitter Marketing Platform Partner (MPP).

The acquisition of MMR is part of the Company’s strategy to channel its future growth efforts towards the mobile advertising market, to extend its mobile marketing technology by adding the ability to advertise on social media and to provide developers a more effective mobile advertising tool. Additionally, the acquisition of MMR establishes the Company’s first office in Europe which will lead the European sales efforts.

The acquisition has been accounted for as a business combination under ASC No. 805, “Business Combination”. The Purchase price was $6,394 in cash and $4,378 in the form of 1,437,510 ordinary shares. In the subsequent 12 months, the Company was required to pay additional $442 in cash and issue an additional $442 in ordinary shares to the founder of MMR, subject to retention conditions, which were paid in full in February 2016. In addition, certain key employees of MMR are entitled to retention payments of which $144 in cash and $63 in the form of 18,998 ordinary shares which were paid upon closing. An additional, $266 in cash and $208 in the form of 92,348 ordinary shares that were subject to retention conditions, were paid to such key employees in February 2016.

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

NOTE 3: ACQUISITIONS (Cont.)

In addition, the Company incurred acquisition related costs totaling $139, included in general and administrative expenses. Acquisition related costs include legal and accounting fees, as well as other external costs directly related to the acquisition.

The allocation of the purchase price to assets acquired and liabilities assumed was as follows:

Cash	$	1,050
Accounts receivable		666
Prepaid expenses and other assets		86
Property and equipment		87
Accounts payable		(305)
Accrued expenses and other liabilities		(433)
Deferred revenues		(126)
Deferred tax liability		(1,159)
Intangible assets		3,454
Goodwill		7,452
Total purchase price	**$**	**10,772**

The following table sets forth the components of intangible assets associated with the acquisition:

			Estimated useful life
Acquired technology	$	1,261	5 years
Customer relationship		395	5 years
Distribution channel		1,798	5 years
Total amount allocated to intangible assets	**$**	**3,454**	

In performing the purchase price allocation, the Company considered, among other factors, analysis of historical financial performance, the best use of the acquired assets and estimates of future performance of MMR's products. In its allocation, the Company also conducted a valuation of intangible assets based on a market participant approach to valuation using an income approach and in connection therewith considered the report of an independent third party valuation firm and estimates and assumptions provided by management.

Pro forma results of operations for the acquisition of MMR have not been presented because they are not material to the consolidated results of operations.

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

NOTE 3: ACQUISITIONS (Cont.)

c. Grow Mobile LLC

On July 15, 2014 ("Closing Date"), the Company completed the acquisition of 100% of the shares of Grow Mobile LLC, a Delaware corporation ("Grow Mobile"). Grow Mobile provides an innovative platform for mobile advertising that enables developers to buy, track, optimize, and scale user acquisition campaigns from a single dashboard.

For the acquisition of Grow Mobile, the Company paid a total consideration of $17,000 in cash and in shares, and the sellers were entitled to additional milestones-based contingent consideration of up to $25,000 in cash and in shares (the “Contingent Payment”).

The total consideration was composed as follows:

a. $10,000 in cash, reduced by $1,800 for working capital adjustments and by $1,300 to be paid to the employees under the Merger Consideration Incentive Plan (see below);
b. $7,000 in Perion's ordinary shares issued at the Closing Date, reduced by $1,100 to be issued to the employees under the Merger Consideration Incentive Plan (see below), valued at $5,545, taking into account the market restrictions on these shares;
c. Up to $7,000 milestones-based contingent consideration ("First Contingent Payment") payable in July 2015. In connection with this contingent payment consideration, the Company recorded at the Closing Date an estimated liability of $2,740;
d. Up to $18,000 milestones-based contingent consideration ("Second Contingent Payment") payable in June 2016. In connection with this contingent payment consideration, the Company recorded at the Closing Date an estimated liability of $ 4,670.

The following table shows a summary of the purchase price at the Closing Date:

Cash	$	6,892
Share consideration		5,545
Contingent consideration		7,410
Total purchase price at the Closing Date	**$**	**19,847**

On July 8, 2015, the Company and Grow Mobile's former security holders, entered into an agreement which amended the acquisition agreement that was signed in July 2014 (the “Amendment”). Under the Amendment, the Contingent Payment was cancelled and in exchange, the Company agreed to pay $2,500 of which $1,500 was paid in cash and $1,000 in the form of 315,263 shares that were issued to Grow Mobile’s former security holders (the “Release Payment”). In addition, the Company also agreed to accelerate the release of $1,500 which was deposited with an escrow fund as part of the acquisition of Grow Mobile and was originally scheduled to be released on September 30, 2016 (the “Escrow Deposit”). Under the Amendment, $1,000 of the Escrow Deposit were released immediately upon signing, with the remaining balance of $500 released on December 31, 2015. As a result of the Amendment, the Company recorded a net gain of $6,564, comprising of the change in fair value of $9,064 previously accrued Contingent Payment, net of $2,500 Release Payment. Such gain is included in impairment net of change in fair value of contingent consideration in the statement of income for the year ended December 31, 2015.

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

NOTE 3: ACQUISITIONS (Cont.)

Additionally, as part of the acquisition, the Company established an incentive plan for the benefit of the holders of unvested options and restricted shares of Grow Mobile ("Merger Consideration Incentive Plan"). The unvested options and restricted shares were cancelled upon Closing Date and converted into the right to receive an allocable portion of the consideration subject to ratable vesting, for the remainder of their preexisting vesting schedules. The allocable consideration is withheld subject to continued vesting. In connection with the Merger Consideration Incentive Plan following the acquisition, the First and Second Contingent Payment, the Company recorded $947 and $927 as operating expenses in 2014 and 2015, respectively. As of December 31, 2014, a $474 payment obligation was recorded as current liability and as of December 31, 2015 no obligation is recorded.

The Company also incurred acquisition related costs in a total amount of $940, which are included in general and administrative expenses for the year ended December 31, 2014. Acquisition related costs include legal, due diligence fees and other costs directly related to the acquisition.

Under business combination accounting, the total purchase price was allocated to Grow Mobile's net tangible and intangible assets based on their estimated fair values as set forth below:

Cash	$	2,767
Accounts receivable		1,398
Prepaid expenses and other assets		249
Property and equipment		13
Accounts payable		(3,307)
Accrued expenses and other liabilities		(820)
Deferred revenues		(1,465)
Deferred tax liability		(2,320)
Intangible assets		5,640
Goodwill		17,692
Total purchase price	**$**	**19,847**

In performing the purchase price allocation, the Company considered, among other factors, an analysis of historical financial performance, highest and best use of the acquired assets and estimates of future performance of Grow Mobile's products. The fair value of intangible assets was based on market participant approach to valuation, performed by a third party valuation firm using estimates and assumptions provided by management.

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

NOTE 3: ACQUISITIONS (Cont.)

The following table sets forth the components of intangible assets associated with the Grow Mobile acquisition:

			Estimated useful life
Acquired technology	$	4,025	4 years
Customer relationships		1,615	5 years
Total amount allocated to intangible assets	**$**	**5,640**	

During 2015 the Company recorded full impairment of all the acquired intangible assets associated with the Grow Mobile acquisition (See note 5b).

Pro forma results of operations for the acquisition of Grow Mobile have not been presented because it is not material to the consolidated results of operations.

d. ClientConnect Ltd.

On September 16, 2013, the Company announced an agreement (the “Agreement”) to combine the ClientConnect business of Conduit Ltd. with Perion in an all-stock transaction. On December 31, 2013 Conduit spun off its ClientConnect business, which includes its monetization and distribution platform for publishers and developers. On January 2, 2014 (the "Closing Date") Perion issued 54,753,582 shares and 2,815,963 stock options to ClientConnect’s former shareholders and option holders. Upon closing, the Company was owned 81% by the pre-closing ClientConnect shareholders and option holders and 19% by the pre-closing Perion shareholders and option holders, on a fully diluted basis as defined in the Agreement. In 2014, the Company incurred $3,161 expenses in connection with the acquisition, which are included in the general and administrative expense.

In connection with the spin off from Conduit, it was agreed between Conduit and ClientConnect that the working capital transferred to ClientConnect will be zero, except for the balance of Conduit with Perion (see Note 16).

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

NOTE 3: ACQUISITIONS (Cont.)

The transaction has been accounted for as an acquisition of Perion by ClientConnect in accordance with ASC 805, using the acquisition method of accounting with ClientConnect as the accounting acquirer (see Note 2). Under these accounting standards, the total purchase price has been calculated as follows:

Number of shares of Perion ordinary shares outstanding on the Closing Date		12,524,000
Closing price per share of Perion's ordinary shares on the Closing Date	$	12.64
Total fair value of stock consideration	$	158,303
Fair value of vested Perion options (for accounting purposes only)	$	7,492
Total purchase price	**$**	**165,795**

The fair value of Perion's vested options represents the fair value of such options attributable to service periods prior to the Closing Date, using the stock price at the Closing Date as an input to the Binomial option-pricing model to determine the fair value of the options.

Under the acquisition method of accounting, the total purchase price is allocated to the net tangible and intangible assets of Perion acquired in the acquisition, based on their fair values at the Closing Date.

The allocation of the purchase price to assets acquired and liabilities assumed was as follows:

Cash and restricted cash	$	25,582
Accounts receivable		18,665
Prepaid expenses and other assets		4,593
Property and equipment		1,376
Accounts payable		(13,900)
Accrued expenses and other liabilities		(25,623)
Deferred revenues		(495)
Deferred tax liability, net		(6,663)
Long term debt		(6,550)
Intangible assets		49,930
Goodwill		118,880
Total purchase price	**$**	**165,795**

NOTE 3: ACQUISITIONS (Cont.)

The following table sets forth the components of intangible assets associated with the acquisition:

			Estimated useful life
Acquired technology	$	28,390	3-5 years
In-process research and development		8,100	*
tradename and other		13,440	4-11 years
Total amount allocated to intangible assets	**$**	**49,930**	

* In 2014 the Company completed the development of $6,100 and estimated the useful life at 4 years, the remaining balance of $2,000 was impaired (see Note 5)

In performing the purchase price allocation, the Company considered, among other factors, an analysis of historical financial performance and estimates of future performance of Perion's revenues assuming best use of the acquired assets. The fair value of intangible assets was based on market participant approach to valuation, performed by a third party valuation firm using estimates and assumptions provided by management.

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

NOTE 3: ACQUISITIONS (Cont.)

The following condensed combined pro forma information for the period ended December 31, 2013, gives effect to the acquisition of Perion as if the acquisition had occurred on January 1, 2013. The pro forma information is not necessarily indicative of the results of operations, which actually would have occurred if the acquisition had been consummated on that date, nor does it purport to represent the results of operations for future periods. For the purposes of the pro forma information, the Company has assumed that net income includes additional amortization of intangible assets related to the acquisition in the amount of $5,140, net of related tax effects.

	Year Ended December 31, 2013
	Unaudited
Revenues	$ 412,656
Net income from continuing operations	$ 68,995
Net loss from discontinued operations	$ (33,795)
Net income from continuing operations per ordinary share:	
Basic	$ 1.04
Diluted	$ 1.00
Net loss from discontinued operations per ordinary share:	
Basic	$ (0.51)
Diluted	$ (0.49)

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

NOTE 4: PROPERTY AND EQUIPMENT, NET

	December 31,	
	2014	2015
Cost:		
Computers and peripheral equipment	$ 11,596	$ 11,775
Office furniture and equipment	2,397	2,837
Leasehold improvements	5,937	6,981
Capitalized software	-	557
Total cost	19,930	22,150
Less: accumulated depreciation and amortization	7,750	9,436
Property and equipment, net	**$ 12,180**	**$ 12,714**

Depreciation and amortization expenses from continued operations totaled $2,110, $2,674 and $3,093, for the years ended December 31, 2013, 2014 and 2015, respectively. Depreciation expenses from discontinued operations totaled $460 for the year 2013.

In connection with the 2014 restructuring plan, the Company impaired leasehold improvements in the amount of $632 relating to office space that will no longer be in use.

In connection with the 2015 restructuring plan, the Company recorded an impairment of $159, relating to disposal of certain office furniture and equipment (see Note 15). The impairment charges are included in restructuring charges in the statement of income. In addition, in connection with Growmobile platforms, the Company impaired software capitalized costs of $3,390 in 2015.

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

NOTE 5: GOODWILL AND OTHER INTANGIBLE ASSETS, NET

a. Goodwill

The changes in the net carrying amount of goodwill in 2014 and 2015 were as follows:

Balance as of January 1, 2014	**$ 27,520**
Acquisition of Perion	118,880
Acquisition of Grow Mobile	17,692
Balance as of December 31, 2014	**$ 164,092**
Acquisition of MMR	7,452
Acquisition of Undertone	119,448
Impairment	(87,043)
Revaluation (foreign currency exchange)	(256)
Balance as of December 31, 2015	**$ 203,693**

b. Intangible assets, net

The following is a summary of intangible assets as of December 31, 2014:

	December 31, 2013	Additions	Amortization	Impairment	December 31, 2014
	$	$	$	$	$
Acquired technology	-	**38,515**	-	-	**38,515**
Accumulated amortization	-	-	(15,698)	-	(15,698)
Impairment	-	-	-	(14,347)	(14,347)
Acquired technology, net	-	**38,515**	**(15,698)**	**(14,347)**	**8,470**
In-process R&D	-	**2,000**	-	-	**2,000**
Impairment	-	-	-	(2,000)	(2,000)
In-process R&D, net	-	**2,000**	-	**(2,000)**	-
Tradename and other	-	**15,055**	-	-	**15,055**
Accumulated amortization	-	-	(3,041)	-	(3,041)
Impairment	-	-	-	(3,594)	(3,594)
Tradename and other, net	-	**15,055**	**(3,041)**	**(3,594)**	**8,420**
Intangible assets, net	-	**55,570**	**(18,739)**	**(19,941)**	**16,890**

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

NOTE 5: GOODWILL AND OTHER INTANGIBLE ASSETS, NET (Cont.)

The following is a summary of intangible assets as of December 31, 2015:

	December 31, 2014	Additions	Amortization	Impairment	OCI	Disposals	December 31, 2015
	$	$	$	$	$	$	$
Acquired technology	**38,515**	**20,761**	-	-	**(46)**	**(28,515)**	**30,715**
Accumulated amortization	(15,698)	-	(4,374)	-	2	11,107	(8,963)
Impairment	(14,347)	-	-	(4,017)	-	17,408	(956)
Acquired technology, net	**8,470**	**20,761**	**(4,374)**	**(4,017)**	**(44)**	-	**20,796**
In-process R&D	**2,000**	-	-	-	-	**(2,000)**	-
Impairment	(2,000)	-	-	-	-	2,000	-
In-process R&D, net	-	-	-	-	-	-	-
Tradename and other	**15,055**	**45,893**	-	-	**(80)**	**(6,474)**	**54,394**
Accumulated amortization	(3,041)	-	(4,505)	-	2	1,774	(5,770)
Impairment	(3,594)	-	-	(4,454)	-	4,700	(3,348)
Tradename and other, net	**8,420**	**45,893**	**(4,505)**	**(4,454)**	**(78)**	-	**45,276**
Intangible assets, net	**16,890**	**66,654**	**(8,879)**	**(8,471)**	**(122)**	-	**66,072**

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

NOTE 5: GOODWILL AND OTHER INTANGIBLE ASSETS, NET (Cont.)

The estimated useful life of the intangible assets are as follows:

Acquired technology	3-5 years
Tradename and other	4-11 years

In December 2014 and 2015, the Company performed an impairment review of several intangible assets that were recognized in connection with the acquisition of Perion and Grow Mobile, respectively, which resulted in total impairment charge of $19,941 and $8,471 that are included in impairment, net of gain on change in fair value of contingent consideration in the statement of income for the years ended December 31, 2014 and 2015, respectively. The related deferred tax liability in the amount of $3,191 and $2,291, has also been written off and is included in Taxes on income, as tax benefit, for the years ended December 31, 2014 and 2015, respectively. Such impairments resulted primarily due to lower than anticipated sales and cash flow as well as managerial decisions to abandon certain R&D projects.

Amortization of intangible assets, net, in each of the succeeding five years and thereafter is estimated as follows:

2016	$ 22,191
2017	16,093
2018	12,113
2019	10,021
2020	4,880
Thereafter	774
	$ 66,072

NOTE 6: ACCRUED EXPENSES AND OTHER LIABILITIES

	December 31,	
	2014	**2015**
Employees and payroll accruals	$ 7,438	$ 10,190
Government authorities	8,719	1,850
Derivative liabilities	1,779	214
Accrued restructuring charges (see note 15)	2,257	1,756
Professional services accruals	2,149	3,171
Hosting, software and web services accruals	1,569	497
Other overhead related expenses	508	1,592
Other accruals	1,098	3,587
	$ 25,517	**$ 22,857**

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

NOTE 7: DERIVATIVES AND HEDGING ACTIVITES

The fair value of the Company's outstanding derivative instruments is as follows:

	December 31,	
	2014	2015
Derivative assets:		
SWAP	$ 141	$ 366
Option contracts	1,208	242
Total	**$ 1,349**	**$ 608**
Derivative liabilities:		
Option contracts	$ 1,779	$ 214

The increase in unrealized gains (losses) recognized in accumulated other comprehensive income (loss) on derivatives, is as follows:

	December 31,	
	2014	2015
Derivatives designated as cash flow hedging instruments:		
Option contracts	$ (62)	$ 206

The net losses reclassified from accumulated other comprehensive income (loss) to the operating expenses are as follows:

	December 31,	
	2014	2015
Derivatives designated as cash flow hedging instruments:		
Option contracts	$ (3)	$ (41)
Forward contracts	(18)	(137)
	$ (21)	**$ (178)**

NOTE 8: LONG TERM DEBT

1. On May 17, 2012 the Company entered into Loan Agreements (the "Agreements"), with two Israeli Banks (the "Banks"), based on which the Company borrowed a total of $10,000.

   The Agreements contain various provisions including a pledge of all the Company's assets under a floating charge, compliance with certain financial covenants, restrictive covenants, including negative pledges, and other commitments, typically contained in facility agreements of this type. On April 1, 2015, the Company entered into an amended financial covenants agreement with one of the Banks, effective as of December 31, 2014, relating to both the long-term debt and the swap agreement in connection with the convertible debt (see Note 9). The Company was in compliance with all covenants as of December 31, 2015.

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

NOTE 8: LONG TERM DEBT (Cont.)

The loans are repaid in 16 and 20 equal quarterly installments, respectively, starting July 17, 2012, and bear annual interest rates of 4.35% and 4.64%.

2. On November 30, 2015, concurrently with the closing of the Undertone acquisition, Interactive Holding Corp. entered into a new secured credit agreement for $50,000, due in quarterly installments from March 2016 to November 2019. The installments start in the amount of $625, per quarter, increase to $1,250 per quarter in March 2018 and require a final payment upon maturity in the amount of $35,000. The outstanding principal amount bears interest at LIBOR plus 5.5% per year and is secured by substantially all the assets of the companies in the Undertone group and by guarantees of such companies. The loan is required to be prepaid by Undertone in certain circumstances, such as from proceeds of asset sales or casualty insurance policies, debt or equity offerings, or from excess cash flow in the event that Undertone's total leverage ratio exceeds specified targets, and a pro rata portion of indemnification payments (or offset of the holdback amount) under the merger agreement with Undertone. The debt issuance cost amounted to $1,399 and were deducted from the carrying amount of that debt in the consolidated balance sheets.

   Under the Undertone credit facility, Undertone is required to maintain financial covenants as of the end of each fiscal quarter as defined in the agreement.

3. On November 22, 2015, the Company borrowed $19,900 under a new credit facility from an Israeli Bank. The credit facility is secured by a lien on the accounts receivable of ClientConnect Ltd., an Israeli subsidiary, from its current and future business clients and is guaranteed by Perion. The credit facility matures in November 2016. As of December 31, 2015, the unpaid balance of the credit facility was $13,000 bearing interest of Libor + 1.2%.

As of December 31, 2015, the aggregate principal annual maturities according to the loan agreement are as follows:

	Repayment amount
2016	$ 17,050
2017	4,150
2018	5,000
2019	38,750
Total principal payments	64,950
Less: unamortized original issue discount	(1,366)
Fair value of principal payments	63,584
Less: current portion	(16,664)
Long-term debt	$ 46,920

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

NOTE 9: CONVERTIBLE DEBT

In September 2014, the Company completed a public offering in Israel of its Series L Convertible Bonds (the "Bonds"), with an aggregate par value of approximately ILS 143,500 thousands, ($36,772 as of December 31, 2015). The Bonds were issued at a purchase price equal to 96.5% of their par value and bear annual interest at a rate of 5%, payable semi-annually. The proceeds of the offering, before issuance costs of $741, amounted to $37,852. The principal of the Bonds, denominated in ILS, will be repaid in five equal annual instalments commencing on March 31, 2016.

The Bonds are convertible, at the election of each holder, into the Company’s ordinary shares at a conversion price of ILS 33.605 per share ($8.61 on December 31, 2015) from the date of issuance and until March 15, 2020. The ordinary shares issued upon conversion of the Bonds will be listed on the NASDAQ Stock Market (“Nasdaq”) and the Tel-Aviv Stock Exchange (“TASE”), to extent that the Company's ordinary shares are listed thereon at the time of conversion. The conversion price is subject to adjustment in the event that the Company effects a share split or reverse share split, a rights offering or a distribution of bonus shares or a cash dividend.

The Company may redeem the Bonds upon delisting of the Bonds from the TASE, subject to certain conditions. In addition, the Company may redeem the Bonds or any part thereof at its discretion after December 1, 2014, subject to certain conditions.

The Company elected to apply the fair value option in accordance with ASC 825, “Financial Instruments”, to the Bonds and therefore all unrealized gains and losses are recognized in earnings. As of December 31, 2015, the fair value of the Bonds, based on its quoted price at the TASE and including accrued interest, was $35,926 .

The changes of the long-term convertible debt in 2014 and 2015 were as follows:

Balance as of January 1, 2014	$ -
Issuance of convertible debt	37,852
Accrued interest	466
Change in fair value	(2,566)
Balance as of December 31, 2014	**35,752**
Accrued interest	1,823
Change in fair value	175
Payment of interest	(1,824)
Balance as of December 31, 2015*	**$ 35,926**

* include accrued interest of $463

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

NOTE 9: CONVERTIBLE DEBT (Cont.)

In order to mitigate the potential adverse impact of the fluctuations in the ILS-USD exchange rate, the Company has entered into a cross currency interest rate swap agreement (the "Swap") in order to hedge the future interest and principal payments, which are all denominated in ILS.

As of December 31, 2015, the Company satisfies all of the financial covenants associated with both, the Bonds and the SWAP.

As of December 31, 2015, the aggregate principal annual payments of the bonds are as follows:

	Repayment amount
2016	$ 7,354
2017	7,355
2018	7,354
2019	7,355
2020	7,354
	$ 36,772

NOTE 10: COMMITMENTS AND CONTINGENT LIABILITIES

a. Office lease commitments

In January 2014, the Company entered into a lease agreement for new corporate offices in Holon, Israel. The lease expires in January 2025, with an option by the Company to extend for two additional terms of 24 months each. Additionally, the Company may choose an early termination in November 2019. On September 1, 2014, the Company moved all of its Israeli personnel to Holon.

Certain facilities of the Company are rented under operating lease agreements, which expire on various dates, the latest of which is in 2022. The Company recognizes rent expense under such arrangements on a straight-line basis.

Furthermore, the Company leases motor vehicles for employees under operating lease agreements.

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

NOTE 10: COMMITMENTS AND CONTINGENT LIABILITIES (Cont.)

Aggregate minimum lease commitments under the aforesaid non-cancelable operating leases as of December 31, 2015 are as follows:

2016	$ 5,953
2017	5,957
2018	5,827
2019	3,546
Thereafter	17,349
	$ 38,632

Facilities leasing expenses from continued operations in the years 2013, 2014 and 2015 were $940, $1,166 and $1,710, respectively. Car leases expenses continued operations in the years 2013, 2014 and 2015 were $545, $1,163 and $1,046, respectively.

b. Contingent purchase obligation

On November 30, 2012, the Company completed the acquisition of 100% of Sweet IM’s shares. Pursuant to the terms of the Share Purchase Agreement (“SPA”) between the Company and SweetIM, the Company was obligated to pay SweetIM's shareholders, among other payments, a payment of up to $ 7,500 in cash in May 2014, if certain milestones were met (the “Contingent Payment”). The milestones were based on the Company's revenues in 2013, and the absence of certain changes in the industry in which the Company operates. On May 28, 2014, the Company paid $2,500 on account of the Contingent Payment. Following such payment, on June 22, 2014, SweetIM’s Shareholders’ representative notified the Company claiming that the Company owes SweetIM’s shareholders the entire Contingent Payment. The Company believes that the claim is without merit and plans to defend against it vigorously. Until this dispute is resolved, the Company will maintain the $5,000 liability in its financial statements that was recorded at the time it entered into the SPA. In April 2015, pursuant to the Share Purchase Agreement, an arbitration process with respect to this claim was commenced in Israel.

c. Legal Matters

1. In November 2013, MyMail, Ltd. (“MyMail”), a non-practicing entity, filed a lawsuit in the Eastern District of Texas alleging that ClientConnect's toolbar technology infringes one of its U.S. patents issued in September 2012, and demanding an injunction and monetary payments. In November 2014, the Company filed a Petition for Inter Partes Review ("IPR") in the United States Patent & Trademark Office, challenging the validity of the asserted claims of the patent in question. On December 31, 2014, MyMail filed an unopposed motion to stay the district court case pending resolution of the Petition for IPR. On January 9, 2015, the court granted a stay pending resolution of the Petition for IPR. On January 5, 2016, the parties have entered into a settlement agreement regarding, inter alia, the patent claim between the parties. The case was dismissed on January 8, 2016. Conduit signed an agreement with Perion, pursuant to which, Conduit will reimburse Perion for 50% of any amounts incurred by Perion with respect to the claim above. The Company accrued for the settled amount $550 as of December 31, 2015.

NOTE 10: COMMITMENTS AND CONTINGENT LIABILITIES (Cont.)

2. On December 22, 2015, Adtile Technologies Inc. filed a lawsuit against Perion and Intercept Interactive Inc. ("Intercept"), a subsidiary of Interactive Holding Corp., in the United States District Court for the District of Delaware. The lawsuit alleges various causes of action against Perion and Intercept related to Intercept's alleged unauthorized use and misappropriation of Adtile's proprietary information and trade secrets. Adtile is seeking injunctive relief and, unspecified monetary damages. The Company is unable to predict the outcome or range of possible loss at this stage and believes it has strong defenses against this lawsuit and intends to defend against it vigorously.

From time to time, the Company is party to other various legal proceedings, claims and litigation that arise in the normal course of business. It is the opinion of management that the ultimate outcome of these matters will not have a material adverse effect on the Company's financial position, results of operations or cash flows.

NOTE 11: SHAREHOLDERS' EQUITY

a. Ordinary shares

On November 18, 2013, the shareholders resolved to increase the authorized share capital of the Company to 120,000,000 ordinary shares with a par value of ILS 0.01 each. The ordinary shares of the Company entitle their holders to voting rights, the right to receive cash dividend and the right to a share in excess assets upon liquidation of the Company.

b. Private placement

On December 3, 2015 (the "Effective date"), the Company completed a private placement of 4,436,898 ordinary shares for gross proceeds of $10,125 pursuant to a Securities Purchase Agreement (the "SPA") with Investors. The purchase price per share was $2.282 per share, which was the average closing price of an ordinary share on the Nasdaq Global Select Market for the 30 trading days ending on December 1, 2015. According to the terms in the SPA, in the event that on September 1, 2016 the 15-trading day weighted average price of an ordinary share is less than $2.624, the per share purchase price will be adjusted downward 1% for each whole 1% that it is lower than such price, up to a maximum adjustment of 15%, and the Company will issue to the Investors such number of additional ordinary shares as is necessary so that each of the Investors will receive such number of ordinary shares in total that it would have purchased at the closing of the private placement at such lower price (the "Share Settlement").

Under ASC 480 "Distinguish Liabilities from Equity" as the investors can't sell, dispose of or otherwise transfer, directly or indirectly, the Ordinary Shares and retain the future right for Share Settlement, it was concluded that the Share Settlement is considered legally as embedded financial instrument. In addition, according to ASC 815-40 "Contracts in Entity's Own Equity", because the only variable that can affect the potential settlement amount is the Company's share price, and since the Company has sufficient authorized and unissued shares exists at the Effective Date and as of December 31, 2015 after taking into account the maximum number of shares that could be required to be delivered during the contract period under existing commitments, the Share Settlement is classified as a shareholders' equity.

NOTE 11: SHAREHOLDERS' EQUITY (Cont.)

On November 30, 2015, the Company entered into Registration Rights Agreement (the "Agreement") with the Purchaser, pursuant to which the Company shall use its commercially reasonable efforts in order to file a registration statement on Form F-3 for the resale of the aforesaid Ordinary shares issued within timeframe as detailed in the Agreement. If it does not meet the abovementioned registration obligations, the Company may incur liquidated damages equal to the product of 1.0% multiplied by the aggregate Subscription Amount up to 10% of the Subscription Amount.

c. Stock Options, Restricted Stock Units and Warrants

The stock-based compensation included in the operating costs and expenses for the years prior to 2014, derives from equity awards that were granted under the option plans of Conduit, the previous owner of the ClientConnect business. In 2014, following the acquisition of ClientConnect on January 2, 2014 and the conversion of all outstanding equity awards of ClientConnect employees into stock options of Perion’s shares, the stock-based compensation expenses derive from both, equity awards that were granted under Conduit as well as equity awards that were granted under the Company’s Equity Incentive Plan (the "Plan").

Perion’s Plan was initially adopted in 2003 and had an initial term of ten years from adoption. On December 9, 2012, the Company’s Board of Directors extended the term of the Plan for an additional ten years. In addition, on August 7, 2013, the Company’s Board of Directors approved amendments to the Plan which include the ability to grant RSUs and restricted stock.

The contractual term of the stock options is generally no more than five years and the vesting period of the options and RSUs granted under the Plan is between 1 and 3 years from the date of grant. The rights of the ordinary shares obtained from the exercise of stock options or RSUs are identical to those of the other ordinary shares of the Company.

As of December 31, 2015, there were 5,545,844 ordinary shares reserved for future stock-based awards under the Plan.

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

NOTE 11: SHAREHOLDERS' EQUITY (Cont.)

The following table summarizes the activities for the Company's service-based stock options for the year ended December 31, 2015:

	Number of options	Weighted average Exercise price	Weighted average Remaining contractual term (in years)	Aggregate intrinsic value
Outstanding at January 1, 2015	3,339,412	$ 8.85	2.93	$ 348
Granted	3,859,500	$ 3.12		
Exercised	(6,923)	$ 2.00		
Cancelled	(1,724,652)	$ 7.33		
Outstanding at December 31, 2015	5,467,337	$ 5.30	3.17	$ 1,709
Exercisable at December 31, 2015	1,136,243	$ 7.66	1.93	$ 131
Vested and expected to vest at December 31, 2015	4,236,510	$ 5.80	3.02	$ 1,319

The weighted-average grant-date fair value of options granted during the years ended December 31, 2013, 2014 and 2015 was $3.00, $4.49 and $1.14, respectively.

The aggregate intrinsic value of the outstanding stock options at December 31, 2015, represents the intrinsic value of 3,050,761 outstanding options that are in-the-money as of such date. The remaining 2,416,576 outstanding options are out-of-the-money as of December 31, 2015, and their intrinsic value was considered as zero. Total intrinsic value of options exercised during the years ended December 31, 2014, and 2015 was $11,218 and $9, respectively.

The number of options expected to vest, reflect an estimated forfeiture rate.

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

NOTE 11: SHAREHOLDERS' EQUITY (Cont.)

The following table summarizes the activities for the Company's performance-based stock options for the year ended December 31, 2015:

	Number of Performance based options	Weighted average Exercise price	Weighted average Remaining contractual term (in years)	Aggregate intrinsic value
Outstanding at January 1, 2015	-	-	-	-
Granted	3,950,000	$ 2.37		
Exercised	-	-		-
Cancelled	(400,000)	2.28		
Outstanding at December 31, 2015	3,550,000	$ 2.38	4.93	$ 4,793
Exercisable at December 31, 2015	-	-	-	-
Vested and expected to vest at December 31, 2015	2,676,859	$ 2.38	4.93	$ 3,550

The performance based options vesting is contingent upon achieving specific financial targets of the Company, set at the grant date.

The weighted-average grant-date fair value of performance-based options granted during the year ended December 31, 2015, was $0.90.

The aggregate intrinsic value of the outstanding performance-based options at 2015, represents the intrinsic value of 3,550,000 outstanding options that are in-the-money as of such date.

The number of options expected to vest, reflect an estimated forfeiture rate.

The following table summarizes additional information regarding outstanding and exercisable stock options under the Company's Stock Option Plan as of December 31, 2015:

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

NOTE 11: SHAREHOLDERS' EQUITY (Cont.)

	Outstanding			Exercisable		
Range of exercise price	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price
$ 0.34-$2.00	95,261	2.93	$ 1.89	74,044	2.90	$ 1.86
$ 2.11-$2.52	4,455,000	4.68	$ 2.28	-	-	-
$ 3.27-$3.77	2,505,500	3.41	$ 3.53	-	-	-
$ 4.04-$6.93	484,229	2.27	$ 5.14	414,283	1.73	$ 5.12
$ 7.11-$9.93	334,443	1.17	$ 8.18	261,441	0.82	$ 8.14
$ 10.06-$11.94	1,004,779	2.52	$ 11.26	301,061	2.74	$ 10.75
$ 12.56-$13.54	138,125	3.62	$ 12.66	85,414	2.59	$ 12.66
	9,017,337	3.83	$ 4.15	1,136,243	1.93	$ 7.66

The following table summarizes the activities for the Company's RSUs for the year ended December 31, 2015:

	Number of RSUs	Weighted average grant date fair value
Unvested at January 1, 2015	1,397,300	$ 12.45
Granted	-	-
Vested	(366,398)	$ 12.39
Cancelled	(338,582)	$ 12.11
Unvested at December 31, 2015	692,320	$ 12.64
Expected to vest after December 31, 2015	605,061	$ 12.64

RSUs expected to vest after December 31, 2015 reflect an estimated forfeiture rate.

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

NOTE 11: SHAREHOLDERS' EQUITY (Cont.)

The Company recognized share-based compensation expenses related to its stock-based awards in the consolidated statements of operations as follows:

	Year ended December 31,		
	2013	2014	2015
Cost of revenues	$ -	$ 249	$ 247
Research and development	1,077	2,435	1,036
Selling and marketing	690	2,944	1,856
General and administrative	8,638	9,297	4,290
Restructuring costs	-	220	-
Total	**$ 10,405**	**$ 15,145**	**$ 7,429**
Share-based compensation in discontinued operations	**$ 2,815**	**$ -**	**$ -**

As of December 31, 2015, there was $6,597 of unrecognized compensation cost related to outstanding stock options and RSUs, $244 related to outstanding warrants and $2,288 related to outstanding performance-based options. These amounts are expected to be recognized over a weighted-average period of 1.16, 2.48 and 1.52 years, respectively. To the extent the actual forfeiture rate is different from what has been estimated, stock-based compensation related to these awards will differ from the initial expectations.

c. In connection with the termination of one of the Company officers' employment in 2014, the Company reached a settlement under which it accelerates 479,980 stock options upon termination. In accordance with ASC 718, "Compensation - Stock Compensation", the Company reversed expenses previously recorded in connection with the unvested stock options and remeasured the award as of the termination date. Total incremental expense incurred in connection with the acceleration amounted to approximately $4,800 and is included in general and administrative expenses.

d. In connection with the restructuring in November 2014 (see Note 15), the Company accelerated 33,333 RSUs of one of its officers. Total incremental expense incurred in connection with the acceleration amounted to $220 and is included in restructuring charges.

e. In connection with the Undertone acquisition the Company granted warrants to purchase 200,000 ordinary shares, at a weighted average exercise price of $3.03 to a third-party vendor that provides development services to Undertone. The weighted-average grant-date fair value of the warrants granted was $1.23. Total expense incurred in 2015 was $2.0.

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

NOTE 12: FINANCIAL INCOME (EXPENSE), NET

	Year ended December 31,		
	2013	2014	2015
Financial income:			
Interest income	$ 1,569	$ 93	$ 551
Foreign currency translation gains, net	1,245	-	572
Change in fair value of convertible debt	-	2,566	-
Change in fair value of SWAP	-	-	225
	$ 2,814	**$ 2,659**	**$ 1,348**
Financial expense:			
Foreign currency translation losses, net	$ -	$ (2,669)	$ -
Interest and change in fair value of payment obligation related to acquisitions	-	(1,067)	(489)
Issuance costs of convertible debt	-	(741)	-
Interest expense on debts	-	(733)	(2,313)
Change in fair value of convertible debt	-	-	(175)
Bank charges and other	(32)	(337)	(310)
	$ (32)	**$ (5,547)**	**$ (3,287)**
Financial income (expense), net	**$ 2,782**	**$ (2,888)**	**$ (1,939)**

NOTE 13: INCOME TAXES

a. Income (Loss) before taxes on income

Income (Loss) before taxes on income is comprised as follows:

	Year ended December 31		
	2013	2014	2015
Domestic	$ 83,388	$ 55,272	$ (43,711)
Foreign	1,636	(2,865)	(24,249)
Total	**$ 85,024**	**$ 52,407**	**$ (67,960)**

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

NOTE 13: INCOME TAXES (Cont.)

b. Taxes on income

Taxes on income are comprised as follows:

	Year ended December 31		
	2013	2014	2015
Current taxes	$ 10,778	$ 23,432	$ 9,670
Deferred tax benefit	-	(13,851)	(8,973)
Taxes in respect of previous years *	11,838	-	-
Total	**$ 22,616**	**$ 9,581**	**$ 697**

* The year 2013 include non-recurring tax expenses in respect of the release of Conduit's trapped earnings (see Note 13 f below).

Taxes on income by jurisdiction were as follows:

	Year ended December 31		
	2013	2014	2015
Domestic	$ 22,616	$ 11,716	$ 8,830
Foreign	-	(2,135)	(8,133)
Total	**$ 22,616**	**$ 9,581**	**$ 697**
Domestic:			
Current taxes	$ 10,778	$ 23,272	$ 8,943
Deferred tax benefit	-	(11,556)	(113)
Taxes in respect of previous years	11,838	-	-
Total - Domestic	**$ 22,616**	**$ 11,716**	**$ 8,830**
Foreign:			
Current taxes	$ -	$ 160	$ 727
Deferred tax benefit	-	(2,295)	(8,860)
Total - Foreign	**$ -**	**$ (2,135)**	**$ (8,133)**
Total income tax expense	**$ 22,616**	**$ 9,581**	**$ 697**

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

NOTE 13: INCOME TAXES (Cont.)

c. Deferred Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The significant components of the Company's deferred tax assets and liabilities are as follows:

	December 31,	
	2014	2015
Deferred tax assets:		
Net operating loss carry forwards	$ 5,699	$ 10,280
Research and development	4,463	4,008
Other temporary differences mainly relating to reserve and allowances	1,929	4,058
Deferred tax assets, before valuation allowance	**12,091**	**18,346**
Valuation allowance	3,985	4,212
Total deferred tax assets, net	**$ 8,106**	**$ 14,134**
Deferred tax liabilities:		
Intangible assets	$ (3,189)	$ (17,971)
Property and equipment, net	(331)	(3,275)
Total deferred tax liabilities	**$ (3,520)**	**$ (21,246)**
Total deferred tax asset (liability), net	**$ 4,586**	**$ (7,112)**
Domestic:		
Long term deferred tax asset, net	$ 4,893	$ 5,006
Long term deferred tax liability	-	(261)
	$ 4,893	**$ 4,745**
Foreign:		
Long term deferred tax asset, net	$ 24	$ 7,338
Long term deferred tax liability	(331)	(19,195)
	$ (307)	**$ (11,857)**
Total deferred tax asset (liability), net	**$ 4,586**	**$ (7,112)**

The net change in total valuation allowance in 2015 is immaterial.

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

NOTE 13: INCOME TAXES (Cont.)

d. Reconciliation of the Company's effective tax rate to the statutory tax rate in Israel

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

	Year ended December 31		
	2013	**2014**	**2015**
Income (Loss) before taxes on income	**$ 85,024**	**$ 52,407**	**$ (67,960)**
Statutory tax rate in Israel	25.0%	26.5%	26.5%
Theoretical tax expense (income)	**$ 21,256**	**$ 13,888**	**$ (18,009)**
Increase (decrease) in tax expenses resulting from:			
"Preferred Enterprise" benefits *	(10,495)	(10,644)	(5,654)
Non-deductible expenses including impairment charges	1,971	4,059	26,702
Taxes in respect to release of "trapped earnings"	11,838	-	-
Deferred taxes on losses and other temporary differences, for which a valuation allowance was provided, net	-	1,962	(3,426)
Tax adjustment in respect of different tax rate of foreign subsidiaries	-	(461)	1,185
Other	(1,954)	777	(101)
Taxes on income	**$ 22,616**	**$ 9,581**	**$ 697**
* Benefit per ordinary share from "Preferred Enterprise" status:			
Basic	$ 0.19	$ 0.16	$ 0.08
Diluted	$ 0.19	$ 0.15	$ 0.08

NOTE 13: INCOME TAXES (Cont.)

e. Income tax rates

Taxable income of Israeli companies is generally subject to corporate tax at the rate of 25% for the 2013 tax year, and 26.5% for the 2014 and 2015 tax years. The corporate tax rate is scheduled to return to a rate of 25% for future tax years. However, the effective tax rate payable by a company that derives income from a Preferred Enterprise (as further discussed below) may be considerably lower.

Non-Israeli subsidiaries are taxed according to the tax laws in their respective countries of residence.

Taxes were not provided for undistributed earnings of the Company's foreign subsidiaries. Currently the Company does not intend to distribute any amounts of its undistributed earnings as dividend. The Company intends to reinvest these earnings indefinitely in the foreign subsidiaries. Accordingly, no deferred income taxes have been provided. If these earnings were distributed to Israel in the form of dividends or otherwise, the Company would be subject to additional Israeli income taxes (subject to an adjustment for foreign tax credits) and foreign withholding taxes.

The amount of undistributed earnings of foreign subsidiaries is immaterial.

f. Law for the Encouragement of Capital Investments, 1959

The Law for Encouragement of Capital Investments, 1959 (the "Investment Law") provides tax benefits for income of Israeli companies meeting certain requirements and criteria. The Investment Law has undergone certain amendments and reforms in recent years.

The Israeli parliament enacted a reform to the Investment Law, effective January 2011. According to the reform, a flat rate tax applies to companies eligible for the "Preferred Enterprise" status. In order to be eligible for Preferred Enterprise status, a company must meet minimum requirements to establish that it contributes to the country's economic growth and is a competitive factor for the gross domestic product.

The Company's Israeli operations elected "Preferred Enterprise" status, starting in 2011.

Benefits granted to a Preferred Enterprise include reduced tax rates. In peripheral regions (Development Area A) the reduced tax rate was 7% in 2013, 9% in 2014, 9% in 2015 and will be 9% in 2016 and onwards. In other regions the tax rate was 12.5% in 2013, 16% in 2014, 16% in 2015 and will be 16% in 2016 and onwards. Preferred Enterprises in peripheral regions will be eligible for Investment Center grants, as well as the applicable reduced tax rates.

A distribution from a Preferred Enterprise out of the "Preferred Income" would be subject to 15% withholding tax for Israeli-resident individuals and non-Israeli residents (subject to applicable treaty rates), or 20% for dividends which are distributed on or after January 1, 2014 and from preferred income that was produced or accrued after such date. A distribution from a Preferred Enterprise out of the "Preferred Income" would be exempt from withholding tax for an Israeli-resident company.

In January 2014 and as part of ClientConnect's spin-off that occurred on December 31, 2013, Conduit received a ruling from the Israel Tax Authority (the "Spin-off Ruling"), pursuant to which Conduit released an additional amount of $270,840 of its "trapped earnings". The additional corporate tax incurred by Conduit in 2013 as a result of such release amounted to $11,838.

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

NOTE 13: INCOME TAXES (Cont.)

g. Uncertain tax position

The following table summarizes the activity related to the Company's gross unrecognized tax benefits from January 1, 2015 to December 31, 2015:

	2015
Balance at January 1	$ 724
Decrease related to prior year tax positions	(22)
Increase related to current year tax positions	1,665
Balance at December 31	**$ 2,367**

Accrued interest at December 31, 2014 and 2015 is immaterial.

Perion does not expect uncertain tax positions to change significantly over the next 12 months, except in the case of settlements with tax authorities, the likelihood and timing of which is difficult to estimate.

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

The Company's tax assessments in Israel and the U.S. for tax years prior to 2011 are considered final.

h. Tax loss carry-forwards

As of December 31, 2015, the Company's U.S. subsidiary has net operating loss carry-forwards in the amount of $16,000.

Net operating losses in the U.S. may be carried forward through periods which will expire in the years starting from 2024 up to 2034. Utilization of U.S. net operating losses may be subject to substantial annual limitation due to the "change in ownership" provisions of the Internal Revenue Code of 1986 and similar state provisions. The annual limitation may result in the expiration of net operating losses before utilization.

As of December 31, 2015, Perion network Ltd. has net operating loss carry-forwards, in Israel, in the amount of $14,000.

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

NOTE 14: EARNINGS PER SHARE

The table below presents the computation of basic and diluted net earnings per common share:

	Year ended December 31		
	2013	2014	2015
Numerator:			
Net income (Loss) attributable to ordinary shares - basic	$ 62,408	$ 42,826	$ (68,657)
Gains related to convertible debt, net	-	(2,100)	-
Net income (Loss) from continuing operations - diluted	$ 62,408	$ 40,726	$ (68,657)
Net loss from discontinued operations – basic and diluted	$ (33,795)	$ -	$ -
Denominator:			
Weighted average number of ordinary shares outstanding during the year	53,910,741	68,213,209	71,300,432
Weighted average effect of dilutive securities:			
Assumed conversion of convertible debt	-	1,090,906	-
Shares to be issued in connection with acquisition	-	52,664	-
Employee stock options and restricted stock units	926,566	970,632	-
Diluted number of ordinary shares outstanding - Continuing operations	54,837,307	70,327,411	71,300,432
Diluted number of ordinary shares outstanding - Discontinued operations	54,837,307	-	-
Basic net earnings (loss) per ordinary share			
Continuing operations	$ 1.16	$ 0.63	$ (0.96)
Discontinued operations	$ (0.63)	$ -	$ -
Net income	$ 0.53	$ 0.63	$ (0.96)
Diluted net earnings (loss) per ordinary share			
Continuing operations	$ 1.14	$ 0.58	$ (0.96)
Discontinued operations	$ (0.62)	$ -	$ -
Net income	$ 0.52	$ 0.58	$ (0.96)
Ordinary shares equivalents excluded because their effect would have been anti-dilutive	2,778,618	3,766,080	14,179,439

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

NOTE 15: RESTRUCTURING COSTS

In November 2014, the Company initiated a restructuring plan of its search monetization business, mainly to reduce workforce, close certain facilities, as well as other cost saving measures. Pursuant to this restructuring plan, in 2014, the Company has incurred cumulative charges of $3,981 as follows:

	$
Payroll and share-based compensation expenses	1,993
Lease facilities and related expenses	1,248
Property and equipment impairment	632
Other	108
Total restructuring costs	**3,981**

In October 2015, the Company initiated a restructuring plan of one of its consumer app development project, mainly to reduce workforce, close certain facilities, as well as other cost saving measures. Pursuant to this restructuring plan, in 2015, the Company has incurred cumulative charges of $1,052 as follows:

	$
Severance and Payroll related	1,022
Property and equipment impairment	159
Write-off of prepaid royalties	219
Other	(348)
Total restructuring costs	**1,052**

As of December 31, 2014 and 2015 the restructuring accrual amounted to $2,257 and $1,756, respectively and, is included under accrued expenses and other liabilities on the balance sheet.

The additions and adjustments to the accrued restructuring liability for the year ended December 31, 2015 are as follows:

	December 31, 2014	Additional costs	Cash payments	Adjustments	December 31, 2015
2014 Restructuring Plan:					
Severance and payroll related	$ 1,027	$ -	$ (1,027)	$ -	$ -
Rent and related expenses	1,155	-	(807)	(348)	-
Other charges	75	-	(75)	-	-
2015 Restructuring Plan:					
Severance and Payroll related	-	1,022	(270)	-	752
Restructuring accrual assumed upon acquisition	-	-	-	1,004	1,004
	$ 2,257	**$ 1,022**	**$ (2,179)**	**$ 656**	**$ 1,756**

NOTE 16: RELATED PARTY TRANSACTIONS

a. ClientConnect and Conduit entered into agreements pursuant to which the parties agreed to provide and receive certain administrative and business support services and systems, including data services, information technology, information security and management information systems, for consideration at market terms, from each other. In September 2014, following the Company's moving of its offices to Holon, the above mentioned services are no longer being provided. During 2014, ClientConnect received $1,645, of services from Conduit, and provided $142, of services to Conduit.

b. In connection with a commercial agreement signed between Perion and Conduit in August 2013, as described in note 2(i) of Perion's 2013 consolidated financial statements included on Form 20-F filed with the SEC on April 10, 2014 (as amended by Form 20F/A filed with the SEC on July 29, 2014), the customer acquisition costs in the statement of income for the year 2013 includes $18,271 that were acquired from Perion.

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

NOTE 16: RELATED PARTY TRANSACTIONS (Cont.)

c. As a condition precedent to the closing of ClientConnect Acquisition on January 2, 2014, Conduit and ClientConnect entered into ancillary agreements. As a result of the ClientConnect Acquisition, two officers of Conduit became members of the Company's board of directors and the major shareholders of Conduit also became major shareholders of the Company. Such directors and major shareholders are parties to or otherwise bound by some of such agreements.

d. On December 31, 2013, Conduit and ClientConnect entered into the Working Capital Financing Agreement pursuant to which Conduit agreed to make available to ClientConnect a credit line of up to $20,000. Any amounts withdrawn under this credit line were required to be used solely to finance payments related to the then-current working capital needs of the ClientConnect business. The outstanding principal amount under the credit line bore interest at a rate of 3% per annum. During 2014, ClientConnect has borrowed $14,750 under this credit line, which matured in April 2014. The interest paid by ClientConnect in connection with this credit line amounted to $117.

NOTE 17: MAJOR CUSTOMERS

A substantial portion of the Company's revenue is derived from search fees and online advertising, the market for which is highly competitive and rapidly changing. Significant changes in this industry or in customer buying behavior could adversely affect the Company's operating results.

The following table sets forth the customers that represented 10% or more of the Company's total revenues in each of the years presented below:

	Year ended December 31,		
	2013	2014	2015
Customer A	63%	74%	81%
Customer B	22%	*	*

* less than 10%

The following is a summary of customers that accounted for at least 10% of the total accounts receivable as of December 31, 2014 and 2015:

	December 31	
	2014	2015
Customer A	65%	23%
Customer B	*	*

* less than 10%

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

NOTE 18: GEOGRAPHIC INFORMATION

The Company operates as one operating segment. Operating segments are defined as components of an enterprise for which separate financial information is evaluated regularly by the chief operating decision maker, who is the chief executive officer, in deciding how to allocate resources and assessing performance. Over the past few years, the Company has completed several acquisitions. These acquisitions have allowed the Company to expand its offerings, presence and reach in various market segments. While the Company has offerings in multiple enterprise market segments, the Company's business operates in one segment which is the High Impact Advertising solutions, and the Company's chief operating decision maker evaluates the Company's financial information and resources and assesses the performance of these resources on a consolidated basis.

The following table presents the total revenues for the years ended December 31, 2013, 2014 and 2015, allocated to the geographic areas in which it was generated:

	Year ended December 31		
	2013	2014	2015
North America (mainly U.S.)	$ 239,884	$ 292,409	$ 173,424
Europe	69,833	69,281	40,612
Other	15,791	27,041	6,914
	$ 325,508	**$ 388,731**	**$ 220,950**

The total revenues are attributed to geographic areas based on the location of the end-users.

The following table presents the locations of the Company's property and equipment as of December 31, 2014 and 2015:

	December 31,	
	2014	2015
Israel	$ 9,952	$ 9,161
U.S.	1,460	3,071
Europe	768	482
	$ 12,180	**$ 12,714**

NOTE 19: SUBSEQUENT EVENTS

On March 4, 2016, Interactive Holding Corp. entered into an amendment to the secured credit agreement, adding a $10,000 revolving loan facility (including a $3,000 swing line loan commitment and a $3,000 letter of credit commitment). Additionally, the amendment postpones the commencement date of a number of Undertone's undertaking and covenants and increases Undertone's ability to invest in some of its subsidiaries. The credit agreement is not guaranteed by Perion, but it is secured by a pledge on Perion's indemnification rights under the Undertone acquisition agreement.

On March 17, 2016, the Company decided to discontinue the operations of the engagement product of Growmobile business and to redeploy certain parts of the mobile marketing platform so that it will no longer function as an independent business. The company intends to strengthen the social platform, both as an independent service provider and servicing the Undertone high-impact offering with social distribution.

ITEM 19. EXHIBITS:

No.	Description
1.1	Memorandum of Association of Perion, as amended and restated (translated from Hebrew). (1)
1.2	Articles of Association of Perion, as amended and restated. (2)
4.1	Share Purchase Agreement by and among Perion Network Ltd., SweetIM Ltd., SweetIM Technologies Ltd., the Shareholders of SweetIM Ltd. and Nadav Goshen as Shareholders' Agent, dated as of November 7, 2012, and Amendment No. 1, dated as of November 30, 2012. (3)
4.2	Registration Rights Agreement among the Company and the investors listed therein, dated as of November 7, 2012. (3)
4.3	Share Purchase Agreement by and among Perion Network Ltd., Conduit Ltd. and ClientConnect Ltd., dated as of September 16, 2013. (4)
4.4	Form of Standstill Agreement between Perion Network Ltd. and certain shareholders thereof, dated as of September 16, 2013. (4)
4.5	Form of Registration Rights Undertaking of the Company dated January 2, 2014. (4)
4.6	Perion 2003 Israeli Share Option Plan and U.S. Addendum. (3)
4.7	Perion Equity Incentive Plan. (4)
4.8	Compensation Policy for Directors and Officers, adopted November 18, 2013. (4)
4.9	Split Agreement between Conduit Ltd. and ClientConnect Ltd., dated as of September 16, 2013. (5)
4.10	Transition Services Agreement between Conduit Ltd. and ClientConnect Ltd., dated as of December 31, 2013. (5)
4.11	Administrative Services Agreement between Conduit Ltd. and ClientConnect Ltd., dated as of December 31, 2013. (5)
4.12	Summary Terms and Conditions of Series L Convertible Bonds. (2)
4.13	Search Distribution Agreement by and between Microsoft Online, Inc. and Perion Network Ltd., dated July 29, 2014, as amended on September 15, 2014.* (2)
4.14	Merger Agreement by and between Perion Network Ltd., IncrediTone Inc., Or Merger, Inc., Interactive Holding Corp. and Fortis Advisors LLC as the Stockholders' Representative, dated November 30, 2015.
4.15	Credit Agreement by and between Or Merger, Inc., Interactive Holding Corp., IncrediTone Inc., SunTrust Bank, Silicon Valley Bank and SunTrust Robinson Humphery, Inc., dated November 30, 2015.
4.16	Securities Purchase Agreement by and between Perion Network Ltd. and the purchasers listed therein, dated November 30, 2015.
4.17	Registration Rights Agreement by and between Perion Network Ltd. and the purchasers listed therein, dated December 3, 2015.
8	List of subsidiaries.
12.1	Certification required by Rule 13a-14(a) or Rule 15d-14(a) executed by the Chief Executive Officer of the Company.
12.2	Certification required by Rule 13a-14(a) or Rule 15d-14(a) executed by the Chief Financial Officer of the Company.
13.1	Certification required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code.
13.2	Certification required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code.
15.1	Consent of Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, Independent Auditors.
101	The following Interactive Data Files, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets at December 31, 2014 and 2015; (ii) Consolidated Statements of Income for the years ended December 31, 2013, 2014 and 2015; (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2013, 2014 and 2015; (iv) Statements of Changes in Shareholders' Equity for the years ended December 31, 2013, 2014 and 2015; (v) Consolidated Statements of Cash Flows for the years ended December 31, 2013, 2014 and 2015; and (vi) Notes to the Consolidated Financial Statements.**

(1) Previously filed with the SEC on April 10, 2014 as an exhibit to our annual report on Form 20-F, and incorporated herein by reference.

(2) Previously filed with the SEC on April 16, 2015 as an exhibit to our annual report on Form 20-F, and incorporated herein by reference.

(3) Previously filed with the SEC on April 29, 2013 as an exhibit to our annual report on Form 20-F, and incorporated herein by reference.

4) Previously filed with the SEC on October 15, 2013 as an exhibit to our Report on Form 6-K, and incorporated herein by reference.

(5) Previously filed with the SEC on July 29, 2014 as an exhibit to our annual report on Form 20-F/A, and incorporated herein by reference.

* Confidential treatment was granted with respect to certain portions of this exhibit pursuant to 17.C.F.R. §240.24b-2. Omitted portions were filed separately with the SEC.

** In accordance with Rule 406T of Regulation S-T, the information in Exhibit 101 is furnished and deemed not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Exchange Act of 1934, and otherwise is not subject to liability under these sections and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, except as expressly set forth by specific reference in such filing.

SIGNATURES

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

Perion Network Ltd.

/s/ Josef Mandelbaum
Josef Mandelbaum
Chief Executive Officer

Date: March 24, 2016

EXHIBIT INDEX

No.	Description
4.14	Merger Agreement by and between Perion Network Ltd., IncrediTone Inc., Or Merger, Inc., Interactive Holding Corp. and Fortis Advisors LLC as the Stockholders' Representative, dated November 30, 2015.
4.15	Credit Agreement by and between Or Merger, Inc., Interactive Holding Corp., IncrediTone Inc., SunTrust Bank, Silicon Valley Bank and SunTrust Robinson Humphery, Inc., dated November 30, 2015.
4.16	Securities Purchase Agreement by and between Perion Network Ltd. and the purchasers listed therein, dated November 30, 2015.
4.17	Registration Rights Agreement by and between Perion Network Ltd. and the purchasers listed therein, dated December 3, 2015.
8	List of subsidiaries.
12.1	Certification required by Rule 13a-14(a) or Rule 15d-14(a) executed by the Chief Executive Officer of the Company.
12.2	Certification required by Rule 13a-14(a) or Rule 15d-14(a) executed by the Chief Financial Officer of the Company.
13.1	Certification required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code.
13.2	Certification required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code.
15.1	Consent of Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, Independent Auditors.

This agreement has been included to provide investors and security holders with information regarding its terms. It is not intended to provide any other factual information about the any party to the agreement. The representations, warranties and covenants contained in this agreement were made only for purposes of such agreement and as of the specific dates therein, were solely for the benefit of the parties to such agreement, and may be subject to limitations agreed upon by the contracting parties, including being qualified by confidential disclosures exchanged between the parties in connection with the execution of the agreement. The representations and warranties may have been made for the purposes of allocating contractual risk between the parties to the agreement instead of establishing those matters as facts, and may be subject to standards of materiality applicable to the contracting parties that differ from those applicable to investors. Investors are not third party beneficiaries under this agreement and should not rely on the representations, warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or condition of any party to the agreement or any of their respective subsidiaries or affiliates. Moreover, information concerning the subject matter of the representations and warranties may change after the date of the agreement, which subsequent information may or may not be fully reflected in the Company's public disclosures.

AGREEMENT AND PLAN OF MERGER

among

PERION NETWORK LTD.

and

INCREDITONE INC.

and

OR MERGER, INC.

and

INTERACTIVE HOLDING CORP.

and

FORTIS ADVISORS LLC,
as the Stockholders' Representative

Dated as of November 30, 2015

TABLE OF CONTENTS

AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER (this "**Agreement**") is made and entered into as of November 30, 2015, by and among Perion Network Ltd., a company organized under the laws of Israel ("**Parent**"), IncrediTone Inc., a corporation organized under the laws of Delaware and indirectly wholly owned by Parent ("**Purchaser**"), Or Merger, Inc., a corporation organized under the laws of Delaware and wholly owned by Purchaser ("**Merger Sub**"), Interactive Holding Corp., a corporation organized under the laws of Delaware (the "**Company**"), and Fortis Advisors LLC, a Delaware limited liability company, solely in its capacity as agent of the Participating Holders (the "**Stockholders' Representative**"). Certain other capitalized terms used in this Agreement are defined below or in Exhibit A.

W I T N E S S E T H:

WHEREAS, the respective Boards of Directors of Parent, Purchaser, Merger Sub and the Company have (a) determined that the merger of Merger Sub with and into the Company, on the terms and subject to the conditions set forth in this Agreement (the "**Merger**"), is fair to, and in the best interests of, each such corporation and its respective stockholders, and declared that the Merger is advisable, (b) authorized and approved this Agreement, the Merger, the execution and delivery of the other agreements referred to herein, and the consummation of the transactions contemplated hereby and thereby, and (c) in the case of the Company and Merger Sub, recommended acceptance of the Merger and approval and adoption of this Agreement to its respective stockholders, in accordance with the Delaware General Corporation Law, as amended (the "**DGCL**"); and

WHEREAS, as a condition and inducement to the willingness of Parent, Purchaser and Merger Sub to enter into this Agreement, the Principal Stockholders, who are holders of at least: (a) 90% of the outstanding shares of Company Capital Stock voting together as a single class and on an as-converted basis; and (b) 95% of all of the outstanding shares of Preferred Stock, have each delivered a support agreement, substantially in the form attached hereto as Exhibit B (each, a "**Support Agreement**"), and will deliver promptly following the execution and delivery of this Agreement (but in no event later than one (1) hour thereafter) their irrevocable approval and adoption of this Agreement, the Merger and the other transactions contemplated hereby in accordance with the provisions of the DGCL and the Company's Charter Documents, including a waiver of appraisal rights under the DGCL, substantially in the form attached hereto as Exhibit C (the "**Stockholders Written Consent**").

NOW, THEREFORE, in consideration of the foregoing and the representations, warranties, covenants and agreements herein contained, the parties hereto, intending to be legally bound, hereby agree as follows:

ARTICLE I

THE MERGER

1.1 The Merger. At the Effective Time and upon the terms and subject to the conditions of this Agreement and in accordance with the DGCL, Merger Sub shall be merged with and into the Company. Following the Merger, the Company shall continue as the surviving corporation (the "**Surviving Corporation**") and the separate corporate existence of Merger Sub shall cease.

1.2 Effective Time. Subject to the terms and conditions set forth in this Agreement, on the Closing Date: (a) a Certificate of Merger in substantially the form of Exhibit D (the "**Certificate of Merger**") shall be duly executed and thereafter delivered to the Secretary of State of the State of Delaware for filing pursuant to the DGCL; and (b) the parties shall make such other filings with the Secretary of State of the State of Delaware as shall be necessary to effect the Merger. The Merger shall become effective at such time as the Certificate of Merger is duly filed with the Secretary of State of the State of Delaware in accordance with the DGCL or such later time as Purchaser and the Company may agree upon and as may be set forth in the Certificate of Merger (the time the Merger becomes effective being referred to herein as the "**Effective Time**").

1.3 Closing of the Merger. The conditions set forth in Sections 6 and 7 having been satisfied (other than those conditions that by their nature are to be satisfied by actions taken at the closing of the Merger) (the "**Closing**"), which such conditions are capable of being satisfied on the date hereof), the Closing shall take place as soon as possible, and in any event no later than one (1) hour, after the execution and delivery of this Agreement (the "**Closing Date**"), at the offices of Goldfarb Seligman & Co., 98 Yigal Alon Street, Tel-Aviv, Israel, unless another time, date or place is agreed to in writing by the parties hereto.

1.4 Effects of the Merger. The Merger shall have the effects set forth in the DGCL. Without limiting the generality of the foregoing and subject thereto, at the Effective Time, all the properties, rights, privileges, powers, patents, trademarks, licenses, registrations, franchises, cash and other assets of every kind and description of the Company and Merger Sub shall be transferred to, vest in and devolve upon the Surviving Corporation without further act or deed, and all debts, liabilities and duties of the Company and Merger Sub shall become the debts, liabilities and duties of the Surviving Corporation. At any time, or from time to time, after the Effective Time, the last acting officers of Merger Sub, or the corresponding officers of Surviving Corporation, may, in the name of Merger Sub, execute and deliver or cause to be executed and delivered all such deeds and instruments and to take or cause to be taken such further or other action as the Surviving Corporation may deem necessary or desirable in order to vest in and conform to the Surviving Corporation title to and possession of any property of Merger Sub acquired or to be acquired by reason of or as a result of the Merger herein provided for and otherwise to carry out the intents and purposes hereof, and the proper officers and directors of the Surviving Corporation are fully authorized in the name of Merger Sub or otherwise to take any and all such action.

1.5 Certificate of Incorporation and Bylaws. The Certificate of Incorporation of the Company, as in effect immediately prior to the Effective Time, shall at the Effective Time be amended and restated as set forth on Exhibit E, and as so amended and restated, shall be the Certificate of Incorporation of the Surviving Corporation until thereafter amended, restated, repealed or otherwise modified as provided by law and by the terms of such Certificate of Incorporation. The Bylaws of the Company, as in effect immediately prior to the Effective Time, shall be at the Effective Time amended and restated so as to conform to the Bylaws of Merger Sub, and as so amended and restated, shall be the Bylaws of the Surviving Corporation until thereafter amended as provided by law, by the terms of the Certificate of Incorporation of the Surviving Corporation and by the terms of such Bylaws.

1.6 Directors. The directors of Merger Sub at the Effective Time shall be the directors of the Surviving Corporation, each to hold office in accordance with the Certificate of Incorporation and Bylaws of the Surviving Corporation until such director's successor is duly elected or appointed and qualified.

1.7 Officers. The officers of the Company at the Effective Time shall be the officers of the Surviving Corporation, each to hold office in accordance with the Certificate of Incorporation and Bylaws of the Surviving Corporation until such officer's successor is duly elected or appointed and qualified.

1.8 Conversion of Shares and Convertible Securities.

(a) At the Effective Time, by virtue of the Merger and without any action on the part of the holders of any shares of capital stock of the Company, any options to acquire any capital stock of the Company, any warrant of the Company, or any shares of capital stock of Merger Sub:

(i) (A) Each share of the Company's Series A Preferred Stock, par value $0.0005 per share ("**Preferred Share**" or "**Preferred Stock**"), outstanding at the Effective Time, but excluding Dissenting Shares and Excluded Shares, shall by virtue of the Merger and without any action on the part of any party hereto or any holder thereof, be converted into the right to receive cash in the per share amount calculated as set forth on the Closing Spreadsheet attached hereto as Exhibit F) (the "**Preferred Amount**"), subject to adjustments and payable as provided in this Agreement. The Preferred Amount will be calculated in accordance with Section 0 and the Company's Charter Documents.

(B) Each share of the Company's common stock, par value $0.0005 per share ("**Common Share**" or "**Common Stock**" and, together with the Preferred Stock, the "**Shares**" or "**Company Capital Stock**"), outstanding at the Effective Time, including Common Stock issued prior to the Effective Time upon exercise of Company Stock Options, Company Warrants or other convertible securities, but excluding Dissenting Shares and Excluded Shares, shall by virtue of the Merger and without any action on the part of any party hereto or any holder thereof, be converted into the right to receive cash in the per share amount calculated as set forth in the Closing Spreadsheet (the "**Common Amount**" and, with respect to the Preferred Shares, together with the applicable Preferred Amount, the "**Share Amount**"), subject to adjustments and payable as provided in this Agreement. The Common Amount will be calculated in accordance with Section 0 and the Company's Charter Documents.

(C) Neither Parent nor Purchaser shall assume outstanding Company Stock Options, or issue any securities in exchange therefor, in connection with the transactions contemplated hereby. Immediately prior to the Effective Time and subject to consummation of the Merger and the terms and conditions of this Agreement, each then outstanding Company Stock Option shall terminate, and the holder thereof shall have the right to receive a cash payment for the vested portion of such Company Stock Option (including Company Stock Options that become vested as a result of the consummation of the Merger) in the amount equal to the product of (y) the Net Value of each In-the-Money Option (the "**Option Net Value**") and (z) the number of shares of Common Stock subject thereto (such product, the "**Option Amount**"), less any applicable Tax withholding, which the parties agree shall be a payment on a "change in the ownership" (as defined in Treasury Reg. Section 1.409A-3(i)(5)(v)) of the Company or otherwise required under applicable Legal Requirements. The Company shall take all actions reasonably necessary to effect the transactions contemplated by this Section 1.8(a)(i)(C) under the Company Stock Option Plans, Company Stock Option agreements and any other applicable plan or arrangement of the Company.

(D) Prior to the Effective Time, the Company shall amend each outstanding Company Warrant (and/or otherwise take all necessary and appropriate actions) to provide that, subject to consummation of the Merger and the terms and conditions of this Agreement, at the Effective Time, each then outstanding Company Warrant shall terminate, and the holder thereof shall have the right to receive the consideration equal to the product of (y) the Net Value of each In-the-Money Warrant (the "**Warrant Net Value**") and (z) the number of shares of Company Common Stock subject thereto (such product, the "**Warrant Amount**"), less any applicable Tax withholding.

(E) The sum of (1) the product of the Preferred Amount (as adjusted pursuant to the terms of this Agreement) multiplied by the number of Preferred Shares, and (2) the product of the Common Amount (as adjusted pursuant to the terms of this Agreement) multiplied by the number of Common Shares, in each case outstanding as of the Effective Time (including Dissenting Shares but excluding Excluded Shares) shall be referred to herein as the "**Total Share Amount**". The sum of (1) the sum of the Option Amount (as adjusted pursuant to the terms of this Agreement) for all In-the-Money Options and (2) the sum of the Warrant Amount (as adjusted pursuant to the terms of this Agreement) for all In-the-Money Warrants, in each case outstanding as of the Effective Time, shall be referred to herein as the "**Total Convertible Securities Amount**"). The sum of (1) the Total Share Amount and (2) the Total Convertible Securities Amount shall be referred to herein as the "**Merger Consideration**").

(F) The consideration payable as set forth in this Agreement in connection with the Merger for all of the issued and outstanding Company Capital Stock on a Fully Diluted Basis as of the Closing Date shall be one hundred thirty one million five hundred thousand U.S. Dollars ($131,500,000), as adjusted pursuant to Sections 0 and 0, of which (i) ninety two million five hundred thousand U.S. Dollars ($92,500,000) (the "**Closing Payment**") shall be payable, as adjusted and in accordance with Section 0, at the Closing and as further adjusted and in accordance with Section 0, at the times prescribed in Section 0, (ii) sixteen million U.S. Dollars ($16,000,000) (the "**Holdback Amount**") shall be payable, as adjusted and in accordance with Section 0, at the time prescribed in Section 0, (iii) three million U.S. Dollars ($3,000,000) (the "**Sparkflow Earn-out Amount**") shall be payable, as adjusted and in accordance with Section 1.9(e), at the times prescribed in Section 1.9(e), and (iv) twenty million U.S. Dollars ($20,000,000) (the "**Deferred Consideration Amount**") plus interest thereon, shall be payable in accordance with, and at the times prescribed in, Section 1.9(f). Interest shall accrue on the outstanding Deferred Consideration Amount at the Applicable Interest Rate.

(ii) Each Share held in the treasury of the Company and each Share held by Parent, Purchaser or Merger Sub ("**Excluded Shares**") will, by virtue of the Merger and without any action on the part of the Company or the holder thereof, be canceled, retired and cease to exist, and no consideration will be delivered in exchange therefor.

(iii) Each outstanding share of common stock of Merger Sub shall be converted into one (1) fully paid and non-assessable share of common stock of the Surviving Corporation and shall constitute the only shares of capital stock of the Surviving Corporation outstanding immediately after the Effective Time.

(b) The Merger Consideration payable pursuant to this Agreement to each holder of Shares, Company Stock Options or Company Warrants, including Dissenting Shares (subject to Section 0) but excluding Excluded Shares, shall be the sum of (1) the product of the Preferred Amount (as adjusted pursuant to the terms of this Agreement) multiplied by the number of Preferred Shares held by such Company Holder, (2) the product of the Common Amount (as adjusted pursuant to the terms of this Agreement) multiplied by the number of Common Shares held by such Company Holder, (3) the aggregate of the Option Amount (as adjusted pursuant to the terms of this Agreement) for all In-the-Money Options held by such Company Holder and (4) the aggregate of the Warrant Amount (as adjusted pursuant to the terms of this Agreement) for all In-the-Money Warrants held by such Company Holder. Such sum for each Stockholder in clauses (1) and (2) being referred to herein as such Stockholder's "**Stockholder Share Amount**" and such sum for each Company Holder in clauses (1) through (4) being referred to herein as such Company Holder's "**Holder Securities Amount**".

1.9 Payment for Shares.

(a) At the Effective Time, Parent and Purchaser shall, jointly and severally, deposit and pay the Adjusted Closing Payment (as defined below) as follows:

(i) an amount set forth in the Closing Spreadsheet and titled the "**Company 102 Options Amount**" with the Section 102 Trustee for the benefit of the holders of Company 102 Options, and the Section 102 Trustee shall cause such amounts, less applicable withholding Taxes, to be disbursed to the applicable holders of Company 102 Options in accordance with Section 1.10(b);

(ii) an amount equal to the Total Convertible Securities Amount less the Company 102 Options Amount (the "**Net Total Convertible Securities Amount**") with the Company for the benefit of the Optionholders of In-the-Money Options and Warrantholders of In-the-Money Warrants, and the Company shall cause such amounts, less applicable withholding Taxes, to be disbursed to the applicable Optionholder or Warrantholder, in each case in accordance with Section 1.10(b);

(iii) two hundred thousand U.S. Dollars ($200,000) with the Stockholders' Representative, to an account designated in writing by the Stockholders' Representative, which shall constitute the Representative Fund in accordance with Section 12.5; and

(iv) the remainder of the Adjusted Closing Payment (the "**Stockholder Distribution Amount**") with JPMorgan Chase Bank, National Association (the "**Paying Agent**") in accordance with the paying agent agreement by and among Parent, the Stockholders' Representative and the Paying Agent substantially in the form attached hereto as Exhibit G (the "**Paying Agent Agreement**"), for the benefit of the holders of Shares, including any Shares with respect to which dissenters' rights have not terminated but excluding Excluded Shares, which shall be distributed, less applicable withholding Taxes, to the Participating Stockholders pursuant to Section 0. The Company (at Closing) and the Stockholders' Representative (after Closing), on the one hand, and Parent, on the other hand, shall each pay one-half of the fees and expenses of the Paying Agent.

(v) "**Adjusted Closing Payment**" means cash in an amount equal to (i) the Closing Payment less (ii) the Transaction Cost Amount (to the extent unpaid as of the Closing) less (iii) the Working Capital Shortfall, if any, less (iii) the Company Debt Excess, if any, less (iv) the Closing Date Cash Shortfall, if any, plus (v) the Working Capital Excess, if any, plus (vi) the Company Debt Shortfall, if any, plus (vii) the Closing Date Cash Excess, if any.

(b) Promptly after the Effective Time, to the extent not previously delivered to the Paying Agent, the Paying Agent shall cause to be mailed to each Person who was, as of the Effective Time, a holder of record of Shares as set forth in the Closing Spreadsheet a letter of transmittal in substantially the form of Exhibit H (which shall authorize the Company and one or more of its agents to cancel such Participating Stockholder's stock certificates that, immediately prior to the Effective Time, represented Shares) (the "**Letter of Transmittal**"). Upon delivery by a Participating Stockholder to the Paying Agent of such Participating Stockholder's Letter of Transmittal, duly executed and completed in accordance with the instructions thereto, the Paying Agent shall promptly, but in no event later than three Business Days (as defined in the Paying Agent Agreement) thereafter cause to be paid to the respective Participating Stockholder entitled thereto the amounts set forth opposite such Participating Stockholder's name in the columns titled Preferred Closing Payment Amount and Common Closing Payment Amount as reflected in the Closing Spreadsheet, less any required Tax withholdings; *provided* that if such surrender is completed by a Participating Stockholder at least two days prior to the Closing Date, the Paying Agent shall cause such amounts to be paid on the Closing Date to such Participating Stockholder, less any required Tax withholding. Such payments to Participating Stockholders (and the payments to be made pursuant to Sections 1.9(d), 1.9(e), 1.9(f) and 1.9(g)) shall be made by wire transfer or check in accordance with the instructions, and delivered in person or by mail to the address, specified in the applicable Letter of Transmittal. No interest will be paid or will accrue on the amount payable to any Participating Holder. If payment is to be made to a Person other than the registered holder of the certificate representing Shares, it shall be a condition of such payment that the certificate representing such Shares shall be properly endorsed or otherwise in proper form for transfer and that the Person requesting such payment shall pay any transfer or other Taxes required by reason of the payment to a Person other than the registered holder of the certificate surrendered or establish to the reasonable satisfaction of Purchaser that such Tax has been paid or is not applicable. At the request of the Paying Agent, the Stockholders' Representative shall direct the Paying Agent with respect to the proper allocation of the payments to be made to Participating Stockholders pursuant to this Agreement, including this Section 1.9(b) and Sections 1.9(d), 1.9(e), 1.9(f) and 1.9(g) in accordance with the Closing Spreadsheet. For the avoidance of doubt, none of the Parent, Purchaser or the Surviving Corporation shall be liable for the allocation of the payments to be made to Participating Stockholders pursuant to this Section 1.9(b) and Sections 1.9(d), 1.9(e), 1.9(f) and 1.9(g).

(c) After the Effective Time, there shall be no transfers on the stock transfer books of the Surviving Corporation of Company Capital Stock that were outstanding immediately prior to the Effective Time.

(d) On the eighteen-month anniversary of the Closing Date (the "**Holdback Payment Date**"), Parent shall deposit with the Paying Agent the Holdback Amount less any Set-off Amount deducted for the purpose of indemnification pursuant to Section 9.5 (including any amounts previously deposited in the Disputed Set-Off Escrow) (the "**Holdback Payment**"). Promptly following the receipt of the Holdback Payment by the Paying Agent, but in no event later than three Business Days (as defined in the Paying Agent Agreement) thereafter, the Paying Agent shall cause each Participating Stockholder who has delivered a fully executed Letter of Transmittal to receive its portion of the Holdback Payment as directed in writing by the Stockholders' Representative, which shall equal the product of the distributable portion of the Holdback Payment *multiplied b*y such Participating Stockholder's Share Consideration Fraction, less any required Tax withholdings. Notwithstanding anything in this Agreement to the contrary, the Holdback Payment shall solely be the obligation of the Parent and not the Purchaser or any subsidiary of Purchaser under any circumstances.

(e) Concurrently with the delivery of each Earn-out Statement (as defined in the Sparkflow Merger Agreement) and each other document delivered by Intercept Interactive to the Member Representative (as defined in the Sparkflow Merger Agreement), the Neutral Firm (as defined in the Sparkflow Merger Agreement) or any other Person, in each case pursuant to Section 2.9(d) of the Sparkflow Merger Agreement, Parent shall deliver (or cause to be delivered) copies of any such document to the Stockholders' Representative. Within three days of receipt by Intercept Interactive of any document delivered to it pursuant to Section 2.9(d) of the Sparkflow Merger Agreement, Parent shall deliver (or cause to be delivered) copies of any such document to the Stockholders' Representative. Following the delivery to the Stockholders' Representative of any such documents, the Stockholders' Representative and its representatives shall be given such access as they may reasonably require during Intercept Interactive's normal business hours (or such other times as the parties may agree) and upon reasonable notice to those books and records of the Company and its Subsidiaries in the possession of, and/or under the control of, Purchaser, and access to such personnel or representatives of the Company and Purchaser as they may reasonably require for the purposes of evaluating such documents and resolving any disputes or responding to any matters or inquiries raised concerning each Earn-out Statement and/or the calculation of each Sparkflow Earn-out Payment. Within five (5) Business Days (as defined in the Sparkflow Merger Agreement) after the final determination in accordance with the terms of the Sparkflow Merger Agreement of whether an Earn-out Payment (as defined in the Sparkflow Merger Agreement) is due for each Performance Period (as defined in the Sparkflow Merger Agreement), Parent shall (i) if the full amount of the applicable Earn-out Payment has been paid to the Member (as defined in the Sparkflow Merger Agreement), send written notice to the Stockholders' Representative informing the Stockholders' Representative of such fact (together with reasonable documentation supporting such determination to the extent not previously provided pursuant to this Section 1.9(e)), or (ii) if the full amount of the applicable Earn-out Payment has not been paid to the Member (as defined in the Sparkflow Merger Agreement), send written notice to the Stockholders' Representative informing the Stockholders' Representative of such fact (together with reasonable documentation supporting such determination to the extent not previously provided pursuant to this Section 1.9(e)) and deposit with the Paying Agent the amount equal to the applicable Earn-out Payment less the amount of such Earn-out Payment that has been paid to the Member (each, a "**Sparkflow Earn-out Payment**"). Promptly, but in no event later than three Business Days (as defined in the Paying Agent Agreement) following the receipt of any Sparkflow Earn-out Payment by the Paying Agent, the Paying Agent shall cause each Participating Stockholder who has delivered a fully executed Letter of Transmittal to receive its portion of such Sparkflow Earn-out Payment as directed in writing by the Stockholders' Representative, provided that the Paying Agent has been provided with such written directions by the Stockholders' Representative at least three (3) Business Days (as defined in the Paying Agent Agreement) prior to such date, which shall equal the product of the such Sparkflow Earn-out Payment *multiplied b*y such Participating Stockholder's Share Consideration Fraction, less any required Tax withholdings. The aggregate Sparkflow Earn-out Payments shall not exceed the Sparkflow Earn-out Amount less the total Earn-out Payments paid to the Member. Notwithstanding anything in this Agreement to the contrary, all Sparkflow Earn-out Payments shall solely be the obligation of the Parent and not the Purchaser or any subsidiary of Purchaser under any circumstances.

(f) Deferred Consideration Amount.

(i) On the Applicable Payment Date, Parent shall deposit with the Paying Agent an amount equal to the Deferred Consideration Amount, less any Deferred Consideration Prepayment Amounts, plus any accrued and unpaid interest thereon (the "**Deferred Consideration Payoff Amount**").

(ii) On March 31, 2016 and the last day of each subsequent calendar quarter prior to the Applicable Payment Date, Parent shall deposit with the Paying Agent an amount equal to the interest accrued on the outstanding Deferred Consideration Amount at a rate equal to the Applicable Interest Rate (as determined from time to time during the period since the last payment pursuant to this Section 1.9(f)(ii)) (each such amount, a "**Deferred Consideration Interest Payment Amount**").

(iii) Parent may, at any time and from time to time prior to the Applicable Payment Date, deposit with the Paying Agent all or any portion of the then outstanding Deferred Consideration Amount at a rate equal to the Applicable Interest Rate (any such amount, a "**Deferred Consideration Prepayment Amount**"). Any Deferred Consideration Prepayment Amount shall first be applied to the accrued and unpaid interest, and then to the outstanding Deferred Consideration Amount.

(iv) Promptly, but in no event later than three Business Days (as defined in the Paying Agent Agreement) following the receipt of the Deferred Consideration Payoff Amount, each Deferred Consideration Interest Payment Amount and any Deferred Consideration Prepayment Amount, as applicable, by the Paying Agent, the Paying Agent shall cause each Participating Stockholder who has delivered a fully executed Letter of Transmittal to receive its portion of any such amount as directed in writing by the Stockholders' Representative, provided that the Paying Agent has been provided with such written directions by the Stockholders' Representative at least three (3) Business Days (as defined in the Paying Agent Agreement) prior to such date, which shall equal the product of the distributable portion of each such amount *multiplied by* such Participating Stockholder's Share Consideration Fraction, less any required Tax withholdings. Notwithstanding anything in this Agreement to the contrary, the Deferred Consideration Payoff Amount, each Deferred Consideration Interest Payment Amount and any Deferred Consideration Prepayment Amount shall solely be the obligation of the Parent and not the Purchaser or any subsidiary of Purchaser under any circumstances.

(g) Contemporaneously with the Restricted Cash ceasing to be restricted to collateralize letters of credit issued for the benefit of the Company and/or any of its Subsidiaries; but in all events no later than January 29, 2016, Parent shall deposit with the Paying Agent the Deferred Adjustment Amount. Promptly, but in no event later than three Business Days (as defined in the Paying Agent Agreement) following the receipt of the Deferred Adjustment Amount by the Paying Agent, the Paying Agent shall cause each Participating Stockholder who has delivered a fully executed Letter of Transmittal to receive its portion of any such amount as directed in writing by the Stockholders' Representative, provided that the Paying Agent has been provided with such written directions by the Stockholders' Representative at least three (3) Business Days (as defined in the Paying Agent Agreement) prior to such date, which shall equal the product of the distributable portion of each such amount *multiplied by* such Participating Stockholder's Share Consideration Fraction, less any required Tax withholdings. Notwithstanding anything in this Agreement to the contrary, the Deferred Adjustment Amount shall solely be the obligation of the Parent and not the Purchaser or any subsidiary of Purchaser under any circumstances.

(h) On the twelve-month anniversary of each deposit with the Paying Agent of amounts for the benefit of the Participating Stockholders, Parent shall be entitled to cause the Paying Agent to deliver to it any funds deposited with the Paying Agent on such applicable deposit date that have not been disbursed to holders of Shares outstanding immediately prior to the Effective Time, and thereafter such holders shall be entitled to look to Parent only as general creditors thereof with respect to the cash payable upon due surrender of their certificates or agreements.

(i) Notwithstanding the foregoing, neither the Paying Agent nor any party hereto shall be liable to any holder of certificates formerly representing Shares for any amount paid to a public official pursuant to any applicable abandoned property, escheat or similar Legal Requirements.

1.10 Company Convertible Securities.

(a) For purposes of this Agreement, "**Stock Option Plan**" means the Interactive Holding Corp. Amended and Restated 2008 Equity Incentive Plan, including the Israel Sub-plan and the German Supplement; "**Israel Sub-plan**" means the Sub-plan for Israeli Award Grantees Interactive Holding Corp. Amended and Restated 2008 Equity Incentive Plan; "**German Supplement**" means the SUPPLEMENT Provisions Relating to the Application of the Interactive Holding Corp. Amended and Restated 2008 Equity Incentive Plan and the Incentive Stock Option Agreement under the 2008 Equity Incentive Plan to Employees in Germany (such plans collectively, the "**Company Stock Option Plans**"); and "**Company Stock Option**" means each outstanding option to purchase shares of Common Stock under any of the Company Stock Option Plans. "**In-the-Money Options**" means all Company Stock Options that have an exercise price less than the Common Amount as calculated pursuant to Section 0 below. "**In-the-Money Warrants**" means all Company Warrants that have an exercise price less than the Common Amount as calculated pursuant to Section 0 below.

(b) Promptly after the date hereof, the Company shall cause to be delivered to each Person who was, at the Effective Time, an Optionholder or a Warrantholder (together with the Participating Stockholders, the "**Participating Holders**"), a letter in a form reasonably acceptable to the Company and Purchaser, notifying such Person of the treatment of the applicable Company Stock Options and Company Warrants in the Merger. The Option Amount for the vested portion of each In-the-Money Option and the Warrant Amount for each In-the-Money Warrant shall be included in the disbursement of the Adjusted Closing Payment and the Net Positive Adjustment Amount, if any, as and when such disbursement is made to the Participating Holders, in accordance with the terms in Sections 1.9 and 12.5. Parent and Purchaser shall cause the Surviving Corporation to promptly pay (and in any event, pay by the next regularly scheduled payroll date) to each Optionholder of In-the-Money Options (other than holders of Company 102 Options) and Warrantholder of In-the-Money Warrants: (i) the amounts set forth opposite such Optionholder's name in the column titled Option Closing Payment Amount as reflected in the Closing Spreadsheet; and (ii) the amounts set forth opposite such Warrantholder's name in the column titled Warrant Closing Payment Amount as reflected in the Closing Spreadsheet, in each case less any required Tax withholdings. Concurrently with the payment of the Company 102 Options Amount to the Section 102 Trustee pursuant to Section 1.9(a)(i), Parent and Purchaser shall irrevocably instruct the Section 102 Trustee to promptly pay (and in any event, pay by the fifth day after the Closing Date) to each holder of Company 102 Options that are In-the-Money Options the amounts set forth opposite such Optionholder's name in the column titled Option Closing Payment Amount as reflected in the Closing Spreadsheet, less any required Tax withholdings. At the request of the Surviving Corporation, the Stockholders' Representative shall direct the Surviving Corporation with respect to the proper allocation of the payments to be made to Optionholders and Warrantholders pursuant to this Agreement, including this Section 1.10(b) in accordance with the Closing Spreadsheet. For the avoidance of doubt, none of the Parent, Purchaser or the Surviving Corporation shall be liable for the allocation of the payments to be made to Optionholders or Warrantholders pursuant to this Section 1.10(b).

(c) For purposes of determining whether an Option or Warrant is an In-the-Money Option or In-the-Money Warrant, respectively, and the Net Value of any such In-the-Money Option or In-the-Money Warrant, the Common Amount shall be calculated based on the aggregate Merger Consideration paid through such payment date; provided, however, that such calculations shall assume that the entire Holdback Amount, the entire Sparkflow Earn-out Amount, the entire Deferred Consideration Amount and the entire Deferred Adjustment Amount was paid by Parent and Purchaser as Merger Consideration at the Closing. By way of illustration, if a Company Stock Option or Company Warrant is not an In-the-Money Option or In-the Money Warrant, respectively, at the time of the Closing (calculated assuming the entire Holdback Amount, the entire Sparkflow Earn-out Amount, the entire Deferred Consideration Amount and the entire Deferred Adjustment Amount was paid by Parent and Purchaser as Merger Consideration at the Closing) but becomes an In-the-Money Option or In-the-Money Warrant as of the date of payment of a Net Positive Adjustment Amount, if any, pursuant to Section 0, based on the sum of the amount of the Adjusted Closing Payment, the entire Holdback Amount (which is assumed to have been paid as Merger Consideration at the Closing), the entire Sparkflow Earn-out Amount (which is assumed to have been paid as Merger Consideration at the Closing), the entire Deferred Consideration Amount (which is assumed to have been paid as Merger Consideration at the Closing), the entire Deferred Adjustment Amount (which is assumed to have been paid as Merger Consideration at the Closing) and the Net Positive Adjustment Amount, such Company Stock Option or Company Warrant shall be an In-the-Money Option or In-the-Money Warrant, respectively, for purposes of the Net Payment Adjustment Amount, and the Common Amount used in determining the Option Net Value and the Warrant Net Value shall be as adjusted based on the sum of the amount of the Adjusted Closing Payment, the Holdback Amount (which is assumed to have been paid in full as Merger Consideration at the Closing), the Sparkflow Earn-out Amount (which is assumed to have been paid in full as Merger Consideration at the Closing), the Deferred Consideration Amount (which is assumed to have been paid in full as Merger Consideration at the Closing), the Deferred Adjustment Amount (which is assumed to have been paid in full as Merger Consideration at the Closing) and the Net Positive Adjustment Amount. For purposes of payment to the Participating Holders of the Net Positive Adjustment Amount, if any, the Stockholders' Representative shall have the authority to make equitable adjustments to the Securities Consideration Fractions of each Participating Holder in order to carry out the intent of this Section 0. For the avoidance of doubt, as a result of Optionholders and Warrantholders receiving their respective portion of the Merger Consideration at the Closing assuming that the entire Holdback Amount, the entire Sparkflow Earn-out Amount, the entire Deferred Consideration Amount and the entire Deferred Adjustment Amount were each paid by Parent and Purchaser as Merger Consideration at Closing, neither Optionholders nor Warrantholders will be entitled to receive any portion of the Holdback Amount when distributed in accordance with, and pursuant to, Section 0, the Sparkflow Earn-out Amount, when distributed in accordance with, and pursuant to, Section 1.9(e), the Deferred Consideration Amount and interest thereon, when distributed in accordance with, and pursuant to, Section 1.9(f), or the Deferred Adjustment Amount when distributed in accordance with, and pursuant to, Section 1.9(g).

1.11 Dissenting Shares.

(a) Notwithstanding any provision of this Agreement to the contrary and to the extent available under the DGCL, Shares that are outstanding immediately prior to the Effective Time and that are held by any Stockholder who is entitled to demand and properly demands the appraisal for such shares (the "**Dissenting Shares**") pursuant to, and who complies in all respects with, the provisions of Section 262 of the DGCL shall not be converted into, or represent the right to receive, the Merger Consideration. Instead, by virtue of the Merger and without any action on the part of the holder thereof, the Dissenting Shares shall be canceled and shall cease to exist and shall represent the right to receive payment for such Stockholder's Dissenting Shares in accordance with the provisions of Section 262 of the DGCL, *provided*, *however*, that all Dissenting Shares held by any Stockholder who shall have failed to perfect or who otherwise shall have withdrawn, in accordance with the DGCL, or lost such Stockholder's rights to appraisal of such shares under the DGCL, shall thereupon be deemed to have been converted into, and to have become exchangeable for, as of the Effective Time, the right to receive the applicable Merger Consideration, without any interest thereon, upon surrender of the certificate or certificates that formerly evidenced such Shares in the manner provided in Section 1.9 hereof.

(b) The Company shall give Purchaser (i) prompt notice of any dissenters' rights demands received by the Company for any Shares, withdrawals of such demands and any other instruments served pursuant to the DGCL and received by the Company and (ii) the opportunity to participate in all negotiations and proceedings with respect to such demands. The Company shall, and shall cause each Subsidiary not to, except with the prior written consent of Purchaser, which shall not be unreasonably withheld, conditioned or delayed, make any payment or agree to make any payment with respect to, or offer to settle or settle, any such demands. Each Dissenting Stockholder who, pursuant to the provisions of the DGCL, becomes entitled to payment of the value of the Dissenting Shares will receive payment therefor but only after the value therefor has been agreed upon or finally determined pursuant to such provisions. After the payment of the amounts referenced in the preceding sentence, any remaining portion of the Share Amount that would otherwise have been payable with respect to Dissenting Shares if such Shares were not Dissenting Shares will be distributed by the Paying Agent to Purchaser.

1.12 Closing Payment Adjustments.

(a) Prior to the date hereof, the Company has delivered to Purchaser a certificate executed by the principal financial officer of the Company (in his or her capacity as such) detailing the Company's good faith best estimate (based on reasonable assumptions) of Company Net Working Capital, Closing Date Cash and Company Debt ("**Company NWCC&D**"), together with a projected consolidated balance sheet of the Company and its Subsidiaries as of immediately prior to the Closing prepared on a consistent basis with the Financial Statements (the "**Company NWCC&D Certificate**"). The Company NWCC&D Certificate shall be prepared by the Company in accordance with GAAP consistently applied by the Company and in accordance with Schedule 1.12. The Company NWCC&D Certificate shall be used to calculate the amount by which (i) Company Net Working Capital set forth therein is less than fourteen million four hundred forty nine thousand four hundred three U.S. Dollars ($14,449,403), (the "**Working Capital Target**," and the amount of such deficiency, if any, being referred to herein as the "**Working Capital Shortfall**"), (ii) Company Net Working Capital set forth therein is greater than the Working Capital Target (the amount of such excess, if any, being referred to herein as the "**Working Capital Excess**"), (iii) Closing Date Cash set forth therein is less than eight million five hundred thousand U.S. Dollars ($8,500,000) (the "**Minimum Cash Amount**," and the amount of such deficiency, if any, being referred to herein as the "**Closing Date Cash Shortfall**"), (iv) Closing Date Cash set forth therein is greater than the Minimum Cash Amount (the amount of such excess, if any, being referred to herein as the "**Closing Date Cash Excess**"), (v) Company Debt set forth therein is greater than fifty seven million U.S. Dollars ($57,000,000), (the "**Company Debt Target**," and the amount of such excess, if any, being referred to herein as the "**Company Debt Excess**") and (vi) Company Debt set forth therein is less than the Company Debt Target (the amount of such deficiency, if any, being referred to herein as the "**Company Debt Shortfall**"), which in each case shall be used to calculate the Adjusted Closing Payment pursuant to Section 0.

"**Cash**" means cash, cash equivalents and marketable securities of the Company and its Subsidiaries, as determined in accordance with GAAP consistently applied by the Company; provided, however, that Cash shall not include one million one hundred eighty two thousand three hundred and fourteen U.S. Dollars ($1,182,314) of cash (the "**Deferred Adjustment Amount**") that is restricted to collateralize letters of credit issued for the benefit of the Company and/or any of its Subsidiaries ("**Restricted Cash**").

"**Closing Date Cash**" means Cash as of immediately prior to the Closing.

"**Company Debt**" means Indebtedness of the Company and its Subsidiaries *less* the total current liabilities of the Company and its Subsidiaries, in each case as of immediately prior to the Closing (as determined in accordance with GAAP consistently applied by the Company).

"**Company Net Working Capital**" means (A) the total current assets of the Company and its Subsidiaries as of immediately prior to the Closing (as determined in accordance with GAAP consistently applied by the Company but excluding all Tax assets, Cash and the Deferred Adjustment Amount) less (B) the total current liabilities of the Company and its Subsidiaries as of immediately prior to the Closing (as determined in accordance with GAAP consistently applied by the Company but excluding all Tax liabilities, all Company Debt and the Sparkflow Earn-out Amount). The calculation of Company Net Working Capital shall be based on the Financial Statements and the methodology relating thereto as set forth in Schedule 1.12.

(b) Within 90 days after the Closing, Purchaser shall deliver to the Stockholders' Representative a certificate executed by Purchaser's Chief Financial Officer (in his or her capacity as such) setting forth Purchaser's good faith calculation of (i) the Company NWCC&D as of immediately prior to the Closing, (ii) the consolidated balance sheet of the Company and its Subsidiaries as of immediately prior to the Closing prepared on a consistent basis with the Financial Statements, and (iii) the amount by which each component of Company NWCC&D as calculated by Purchaser differs from each component of the Company NWCC&D set forth in the Company NWCC&D Certificate (the "**Purchaser NWCC&D Certificate**"). The Purchaser NWCC&D Certificate shall be prepared by Purchaser in accordance with GAAP and in accordance with Schedule 1.12 and shall take into account any information that was not available to the parties at the time the Company NWCC&D Certificate was delivered.

(c) Following the delivery by Purchaser of the Purchaser NWCC&D Certificate, the Stockholders' Representative and its representatives shall be given such access as they may reasonably require during Purchaser's normal business hours (or such other times as the parties may agree) and upon reasonable notice to those books and records of the Company in the possession of, and/or under the control of, Purchaser, and access to such personnel or representatives of the Company and Purchaser as they may reasonably require for the purposes of evaluating the Purchaser NWCC&D Certificate and resolving any disputes or responding to any matters or inquiries raised concerning the Purchaser NWCC&D Certificate and/or the calculation of the Company NWCC&D.

(d) The Stockholders' Representative may object to the Company NWCC&D calculations set forth in the Purchaser NWCC&D Certificate by providing written notice of such objection to Purchaser within thirty (30) days after Purchaser's delivery of the Purchaser NWCC&D Certificate (the "**Notice of Objection**"). In the event that the Stockholders' Representative does not provide a Notice of Objection within such thirty (30) day period, the Stockholders' Representative shall be deemed to have accepted the Company NWCC&D set forth in the Purchaser NWCC&D Certificate in its entirety, which Company NWCC&D set forth in the Purchaser NWCC&D Certificate shall be final, binding and conclusive for all purposes hereunder.

(e) If the Stockholders' Representative timely provides the Notice of Objection, then the parties shall confer in good faith for a period of up to fifteen (15) days following Purchaser's timely receipt of the Notice of Objection, in an attempt to resolve any disagreement, and any resolution by them shall be in writing and shall be final and binding.

(f) If, after such fifteen (15) day period, the Stockholders' Representative and Purchaser cannot resolve any such disagreement, then the parties shall engage Grant Thornton LLP or an auditing firm reasonably acceptable to both the Stockholders' Representative and Purchaser (the "**Reviewing Accountant**") to review the items in dispute. Each of the parties to this Agreement shall, and shall cause their respective officers, directors, employees and representatives to, provide full cooperation to the Reviewing Accountant. The Reviewing Accountant shall (i) act in its capacity as an expert and not as an arbitrator, (ii) consider only those matters as to which there is a dispute between the parties and (iii) be instructed to reach its conclusions regarding any such dispute within 30 days after its appointment and provide a written explanation of its decision. In the event that Purchaser and the Stockholders' Representative shall submit any dispute to the Reviewing Accountant, each such party may submit a "position paper" to the Reviewing Accountant setting forth the position of such party with respect to such dispute, to be considered by such Reviewing Accountant as it deems fit. The Reviewing Accountant shall promptly determine the Company NWCC&D; *provided* that such amounts shall not be higher or lower than the highest and lowest amounts proposed by the parties, and such determination shall be final and binding on the parties absent manifest error.

(g) The fees and expenses of the Reviewing Accountant incurred in the resolution of such dispute shall be borne by the Participating Holders and Purchaser in such proportion as is appropriate to reflect the relative benefit received by the Participating Holders and Purchaser from the resolution of the dispute; provided that such fees and expenses borne by the Participating Holders shall be deducted from the Holdback Payment. For example, if the Stockholders' Representative challenges the calculation in the Purchaser NWCC&D Certificate by an amount of $100,000, but the Reviewing Accountant determines that the Stockholders' Representative has a valid claim for only $40,000, Purchaser shall bear 40% of the fees and expenses of the Reviewing Accountant and the Participating Holders shall bear the other 60% of such fees and expenses. All other fees and expenses incurred by a party in connection with this Section 1.12 shall be borne by the party incurring such cost; provided that any such expenses incurred by the Stockholders' Representative shall be borne by the Participating Holders acting through the Stockholders' Representative in its capacity as such.

(h) Upon the final determination of Company NWCC&D pursuant to Section 1.12(d) (in the event there is no Notice of Objection), Section 1.12(e) or Section 1.12(f), as the case may be, (i) any shortfall of Company Net Working Capital below the Company Net Working Capital set forth in the Company NWCC&D Certificate (which shall be a negative number, if any) shall be referred to as a "**Negative WC Adjustment Amount**," (ii) any excess of Company Net Working Capital above the Company Net Working Capital set forth in the Company NWCC&D Certificate (which shall be a positive number, if any) shall be referred to as a "**Positive WC Adjustment Amount**," (iii) any shortfall of Closing Date Cash below the Closing Date Cash set forth in the Company NWCC&D Certificate (which shall be a negative number, if any) shall be referred to as a "**Negative Closing Date Cash Adjustment Amount**," (iv) any excess of Closing Date Cash above the Closing Date Cash set forth in the Company NWCC&D Certificate (which shall be a positive number, if any) shall be referred to as a "**Positive Closing Date Cash Adjustment Amount**," (v) any excess in the Company Debt above the Company Debt set forth in the Company NWCC&D Certificate (which shall be a negative number, if any) shall be referred to as the "**Negative Debt Adjustment Amount**" and (vi) any shortfall in the Company Debt below the Company Debt set forth in the Company NWCC&D Certificate (which shall be a positive number, if any) shall be referred to as the "**Positive Debt Adjustment Amount**." If the sum of the Negative WC Adjustment Amount *plus* the Positive WC Adjustment Amount *plus* the Negative Closing Date Cash Adjustment Amount *plus* the Positive Closing Date Cash Adjustment Amount *plus* the Positive Debt Adjustment Amount *plus* the Negative Debt Adjustment Amount shall be a negative number (such sum, the "**Net Negative Adjustment Amount**"), then the amount of the Holdback Payment shall be reduced by the amount of the Net Negative Adjustment Amount and the amount of such reduction shall be retained by Purchaser.

(i) If the sum of the Negative WC Adjustment Amount *plus* the Positive Adjustment WC Amount *plus* the Negative Closing Date Cash Adjustment Amount *plus* the Positive Closing Date Cash Adjustment Amount *plus* Positive Debt Adjustment Amount *plus* the Negative Debt Adjustment Amount shall be a positive number (such sum, the "**Net Positive Adjustment Amount**"), then, within seven (7) days of such determination, the amount of the Net Positive Adjustment Amount shall be deposited by Parent and Purchaser, jointly and severally, by wire transfer in immediately available funds as follows:

(1) a portion of the Net Positive Adjustment Amount (as directed in writing by the Stockholders' Representative) with the Section 102 Trustee for the benefit of the holders of Company 102 Options;

(2) a portion of the Net Positive Adjustment Amount (as directed in writing by the Stockholders' Representative) with the Company for the benefit of the Optionholders of In-the-Money Options (other than holders of Company 102 Options) and Warrantholders of In-the-Money Warrants; and

(3) a portion of the Net Positive Adjustment Amount (as directed in writing by the Stockholders' Representative) with the Paying Agent for the benefit of the holders of Shares, including any Shares with respect to which dissenters' rights have not terminated but excluding Excluded Shares.

The portion of the Net Positive Adjustment Price deposited with the Paying Agent shall be paid by the Paying Agent to the Participating Stockholders, less any required Tax withholdings, as directed in writing by the Stockholders' Representative within three Business Days (as defined in the Paying Agent Agreement) of receipt of such funds and the instructions of the Stockholders' Representative. Parent and Purchaser shall cause the Surviving Corporation to promptly pay (and in any event, pay by the next regularly scheduled payroll date) to each Optionholder of In-the-Money Options (other than holders of Company 102 Options) and Warrantholder of In-the-Money Warrants the amount as directed in writing by the Stockholders' Representative, in each case less any required Tax withholdings. Concurrently with payment of the portion of the Net Positive Adjustment Amount to the Section 102 Trustee pursuant to this Section 1.12(i), Parent and Purchaser shall irrevocably instruct the Section 102 Trustee to promptly pay (and in any event, pay by the fifth day after receipt of the portion of the Net Positive Adjustment Amount) to each holder of Company 102 Options that are In-the-Money Options the amount as directed in writing by the Stockholders' Representative, less any required Tax withholdings.

(j) Notwithstanding the foregoing, if the Holdback Payment shall be due and payable pursuant to Section 1.9(d) hereof prior to the final determination of Company NWCC&D pursuant to this Section 1.12, then any amounts claimed in good faith as described in this Section 1.12 as potentially reducing the Holdback Payment, as reasonably estimated by Purchaser, shall be held by Parent subject to the final determination of Company NWCC&D and, if any amounts are finally determined to be due to the Participating Stockholders, such amounts shall be deposited by Parent in accordance with Section 1.12(i) within five (5) days of such determination.

1.13 Certain Other Payments. At the Effective Time, Parent and Purchaser shall, jointly and severally, pay (or cause to be paid) on behalf of the Company and its Subsidiaries, as applicable:

(a) the portion of the Transaction Costs Amount that remains unpaid as of the Closing to the Persons owed such amounts as directed in writing by the Company and set forth on the Transaction Costs Certificate. To the extent that any of the Transaction Costs Amount is to be paid to the Company for further distribution to other Persons, Parent and Purchaser shall cause the Surviving Corporation to promptly pay (and in any event, pay by the next regularly scheduled payroll date) such amounts to such Persons; and

(b) the amount required to pay off the Company's indebtedness set forth in the indebtedness payoff letter from Comerica Bank, as directed in such payoff letter.

1.14 Withholding. Notwithstanding anything in this Agreement to the contrary, the Paying Agent and Section 102 Trustee shall be entitled, and after consultation with the Stockholders' Representative, Parent, Purchaser and the Surviving Corporation shall be entitled, to deduct and withhold, as the case may be, from the consideration otherwise payable to any Stockholder, Optionholder or Warrantholder pursuant to this Agreement such amounts as it is required to deduct and withhold with respect to the making of such payments under the Code or any provision of any Tax Law; *provided* that the Paying Agent, Section 102 Trustee, Purchaser, Parent or the Surviving Company, as applicable, shall reduce such deduction or withholding in the event it is provided with certificates or other documentation, in form and substance reasonably satisfactory to Purchaser, evidencing any valid exemption from such deduction or withholding. To the extent that amounts are so withheld and are delivered to the applicable Governmental Body, such withheld amounts shall be treated for all purposes of this Agreement as having been paid in accordance with this Agreement to the Stockholder, Optionholder or Warrantholder in respect of which such deduction and withholding was made, and such amounts shall be delivered by the Paying Agent, Section 102 Trustee, Parent, Purchaser or the Surviving Corporation, as the case may be, to the applicable Governmental Body. Notwithstanding the foregoing, the Paying Agent, Parent, Purchaser or the Surviving Corporation, as the case may be, shall reduce such deduction or withholding in the event it is provided with certificates or other documentation, in form and substance reasonably satisfactory to Purchaser, evidencing any valid exemption from such deduction or withholding.

ARTICLE II

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to and for the benefit of Parent, Purchaser and Merger Sub, as of the date hereof and as of the Closing as follows, subject to the exceptions set forth in the applicable parts of the attached Disclosure Schedule corresponding to the Section numbers below:

2.1 Due Organization; Etc.

(a) The Company is a corporation duly incorporated and organized, validly existing and in good standing under the Laws of the State of Delaware and has all requisite corporate power and authority to own, lease and operate its properties and assets and to conduct its business as now being conducted.

(b) Neither the Company nor any Subsidiary has conducted any business under or otherwise used, for any purpose or in any jurisdiction, any fictitious name, assumed name or trade name other than its own name.

(c) The Company is duly qualified or licensed and in good standing to do business in each jurisdiction in which the property or assets owned, leased or operated by the Company or the nature of the business conducted by the Company makes such qualification necessary, except where the failure to be so duly qualified or licensed and in good standing would not individually or in the aggregate have a Material Adverse Effect. Part 2.1(c) of the Disclosure Schedule sets forth a list of all jurisdictions where the Company is qualified to do business.

(d) Part 2.1(d) of the Disclosure Schedule accurately sets forth (i) the names of the members of the Company Board, (ii) the names of the members of each committee of the Company Board, and (iii) the names and titles of the Company's officers.

(e) Except for the Entities set forth in Part 2.1(e) of the Disclosure Schedule, neither the Company nor any Subsidiary owns any interest in any Entity. Neither the Company nor any Subsidiary has agreed nor is the Company or any Subsidiary obligated to make any future investment in or capital contribution to any Entity. Part 2.1(e)(i) of the Disclosure Schedule accurately sets forth for each Subsidiary the amount of its authorized share capital, the amount of its outstanding share capital and the record owners of its outstanding share capital, and there are no other shares or other equity securities of any Subsidiary issued, reserved for issuance or outstanding. All of the outstanding equity securities and other securities of each Subsidiary are owned of record and beneficially by the Company or one or more Subsidiaries, free and clear of all Liens other than Permitted Liens. Each Subsidiary is duly organized, validly existing and in good standing under the Laws of its jurisdiction of organization and each Subsidiary has all requisite power and authority to own, lease and operate its properties and assets and to carry on its operations as now being conducted.

(f) Each such Subsidiary is duly qualified or licensed and in good standing to do business in each jurisdiction in which the property or assets owned, leased or operated by such Subsidiary or the nature of the business conducted by such Subsidiary makes such qualification necessary, except where the failure to be so duly qualified or licensed and in good standing would not individually or in the aggregate have a Material Adverse Effect. Part 2.1(f) of the Disclosure Schedule sets forth a list of all jurisdictions where each of the Subsidiaries is qualified to do business.

(g) Part 2.1(g) of the Disclosure Schedule accurately sets forth (i) the names of the members of the board of directors or equivalent corporate body of each Subsidiary (each, a "**Subsidiary Board**"), (ii) the names of the members of each committee of each Subsidiary Board, and (iii) the names and titles of the officers of each Subsidiary.

(h) Except for the Entities set forth in Part 2.1(e) or Part 2.1(h) of the Disclosure Schedule, (i) neither the Company nor any Subsidiary owns, beneficially or otherwise, any shares or other securities of, or any debt or other equity interest in, any Entity, (ii) neither the Company nor any Subsidiary (since each such Subsidiary became a Subsidiary of the Company) has owned, beneficially or otherwise, any shares or other securities of, or any debt or other equity interest in, any Entity, and (iii) to the Knowledge of the Company, no Subsidiary (prior to such Subsidiary becoming a Subsidiary of the Company) has owned, beneficially or otherwise, any shares or other securities of, or any debt or other equity interest in, any Entity.

2.2 Charter Documents; Records. The Certificate of Incorporation and Bylaws of the Company and the charter and organizational documents of each of the Subsidiaries has been duly adopted by all necessary corporate action and procedures on the part of the Company and each Subsidiary, as applicable, and in accordance with all applicable Legal Requirements. True, complete and correct copies of the Certificate of Incorporation and Bylaws of the Company, including all amendments thereto, currently in effect (the "**Charter Documents**") and the charter and organizational documents of each of the Subsidiaries, including all amendments thereto, currently in effect, have been made available to Purchaser and are attached to this Agreement as Part 2.2 of the Disclosure Schedule. The Company has made available to Purchaser accurate and complete copies of (1) the capital stock records of the Company and each Subsidiary and (2) the minutes and other records of the meetings and other proceedings (including any actions taken by written consent or otherwise without a meeting) of the stockholders of the Company and each Subsidiary, the Company Board and all committees of the Company Board, each Subsidiary Board and the committees of each Subsidiary Board, in each case, since January 1, 2013. There have been no formal meetings or other proceedings of the stockholders of the Company, any Subsidiary, the Company Board, any Subsidiary Board or any committee of the Company Board or Subsidiary Board since January 1, 2013 that are not reflected in such minutes or other records. There has not been any violation of any of the provisions of the Charter Documents or any charter or organizational documents of any Subsidiary, nor has the Company or any Subsidiary taken any action that is prohibited by any resolution adopted by its stockholders, the Company Board, any Subsidiary Board or any committee thereof, as applicable. The books of account, minute books and other records of the Company and each Subsidiary are, and the capital stock ledger of the Company are, accurate, up-to-date and complete in all material respects, and have been maintained in accordance with applicable Legal Requirements.

2.3 Capitalization.

(a) The authorized Company Capital Stock as of the date hereof is 100,000,000, of which:

(i) 40,000,000 shares of Preferred Stock, of which 40,000,000 shares have been designated Series A Preferred Stock, of which 37,184,556 shares are issued and outstanding. All rights, privileges and preferences of the Preferred Stock are as stated in the Charter Documents, Stockholders Agreement and Registration Rights Agreement. All of such outstanding shares of Preferred Stock have been duly authorized and validly issued, are fully paid and non-assessable, and were issued in compliance with (A) the Charter Documents of the Company, (B) all applicable federal and state securities Laws, and (C) any preemptive rights of any Person granted by the Company; and

(ii) 60,000,000 shares of Common Stock, of which 1,477,529 shares are issued and outstanding. All of such outstanding shares of Common Stock have been duly authorized and validly issued, are fully paid and non-assessable, and were issued in compliance with (A) the Charter Documents of the Company, (B) all applicable federal and state securities Laws, and (C) any preemptive rights of any Person granted by the Company.

(b) The Company has reserved 12,894,850 shares of Common Stock for issuance to officers, employees, directors and consultants of the Company pursuant to its Company Stock Option Plans duly adopted by the Company Board and approved by the Company's stockholders, in accordance with all Legal Requirements. Of such 12,894,850 reserved shares of Common Stock, 292,782 shares have been issued pursuant to restricted stock purchase or similar agreements, options to purchase 9,783,996 shares are currently outstanding (of which options to purchase 8,605,551 shares are vested as of the Closing after taking into account any acceleration of vesting as a result of the consummation of the Closing), 1,184,745 have been exercised and 1,633,327 shares remain available for issuance to officers, employees, directors and consultants pursuant to the Company Stock Option Plans.

(c) Part 2.3(c) of the Disclosure Schedule sets forth a list of the authorized, issued and outstanding Company Capital Stock as of the date hereof, including the record holder of each and, with respect to each, the number and class of the underlying shares of the Company Capital Stock and the record holder of each Company Stock Option and Company Warrant all as reflected in the books and records of the Company. There is no other Company Capital Stock authorized, issued, reserved for issuance or outstanding. The Company has no obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any Company Capital Stock or any interest therein or to pay any dividend or to make any other distribution in respect thereof. Except for the Stockholders Agreement and the Registration Rights Agreement, the Company is not and to the Knowledge of the Company, no other Person is, a party to any voting trusts, proxies or other agreements, commitments or understandings of any character with respect to the holding, voting, transfer or disposition of any shares of Company Capital Stock or other securities of Company.

(d) Part 2.3(d) of the Disclosure Schedule lists, with respect to each outstanding Company Stock Option: (i) the Company Stock Option Plan under which such Company Stock Option was issued, (ii) whether such Company Stock Option is currently intended to qualify as a nonqualified stock option or incentive stock option pursuant to the Code, (iii) the holder thereof, (iv) the grant or issuance date, (v) expiration date, (vi) the number of Common Stock issuable thereunder, (vii) the exercise price, (viii) whether the holder thereof is an employee, director or consultant of the Company or any of the Subsidiaries and (i) with respect to each Company Stock Option (including exercised Company Stock Options) granted to any person subject to Israeli taxation: (A) whether such Company Stock Option was granted pursuant to Section 3(i) of the Ordinance or Section 102 of the Ordinance ("**Section 102**") and specifying the subsection of Section 102 pursuant to which such Company Stock Option was granted, (B) such person's holding percentage in the Company (including on a fully diluted basis if it exceeds 5% of the outstanding share capital of the Company), (C) whether such person has relocated from or to Israel and (D) with respect to each Company 102 Option or Company 102 Share, the date on which the grant of such securities was approved by the Company Board.

(e) Except for (i) conversion privileges of the Preferred Stock, (ii) outstanding Company Warrants and (iii) outstanding Company Stock Options issued pursuant to the Company Stock Option Plans, there are no outstanding or authorized subscriptions, options, calls, warrants, rights (including conversion or preemptive rights and rights of first refusal or similar rights), commitments, convertible securities, stock appreciation, phantom stock, profit participation or similar rights with respect to the share capital of, or other equity or voting interests in, the Company, any Subsidiary, or other agreements of any character directly or indirectly, orally or in writing, obligating the Company or any Subsidiary to issue any additional shares or any securities convertible into, or exchangeable for, or evidencing the right to subscribe for, any shares of the Company Capital Stock or the securities of any Subsidiary.

(f) As of the date hereof, all of the issued and outstanding Company Capital Stock, on an actual basis and on an as-converted (or as-exercised) basis, taking into consideration any and all convertible or exchangeable securities and other interests in the Company, is owned of record by the Stockholders, Optionholders and Warrantholders as set forth in the Closing Spreadsheet.

(g) The Closing Spreadsheet accurately sets forth as of the date hereof, the name of each Person that is the registered owner of any Shares and/or Company Warrants and/or Company Stock Options and the number and kind of such Shares so owned, or subject to Company Warrants so owned or subject to Company Stock Options so owned, by such Person. The number of such Shares set forth as being so owned, or subject to Company Warrants so owned or subject to Company Stock Options so owned, by such Person constitutes, as of the date hereof, the entire record interest of such person in the issued and outstanding share capital, voting securities or other securities of the Company. As of the date hereof, no other Person not disclosed in the Closing Spreadsheet, and as of the Closing, no other Person not disclosed in the Closing Spreadsheet, will have a right to acquire any Shares or Company Warrants or Company Stock Options from the Company.

2.4 Financial Statements.

(a) The Company has delivered to Purchaser copies of the following financial statements of the Company and its Subsidiaries: (i) the audited consolidated financial statements of the Company and its Subsidiaries for each of the fiscal years ended on December 31, 2012, December 31, 2013 and December 31, 2014 and the related statements of income, statements of stockholders' equity and statements of cash flows of the Company on a consolidated basis for the year then ended, together with the notes thereto, all as certified by PricewaterhouseCoopers LLP, independent public accountants (the "**Company Auditor**") (collectively, the "**Annual Financial Statements**"), (ii) the unaudited consolidated balance sheet ("**Company Balance Sheet**") of the Company and its Subsidiaries as of June 30, 2015 ("**Company Balance Sheet Date**") and the related unaudited consolidated statements of income, statements of stockholders' equity and statements of cash flows of the Company and its Subsidiaries for the six month periods ended on June 30, 2014 and June 30, 2015, and (iii) the unaudited consolidated balance sheet of the Company and its Subsidiaries and the related unaudited statements of operations, statements of stockholders' equity (only for nine month period ended on September 30, 2015) and statements of cash flows of the Company and its Subsidiaries for the seven, eight and nine month periods, respectively, ended July 31, 2015, August 31, 2015 and September 30, 2015 (the "**Interim Financial Statements**," and together with the Company Annual Financial Statements, the "**Financial Statements**").

(b) Attached hereto as Exhibit I are true and correct copies of the Financial Statements, consistent in all material respects with the books and records of the Company and each Subsidiary. The Financial Statements present fairly, in all material respects, the financial position of the Company as of the respective dates thereof and the results of operations, changes in stockholders' equity and cash flows of the Company for the periods covered thereby, all on a consolidated basis. The Financial Statements have been prepared in accordance with GAAP consistently applied throughout the periods covered, except as may be indicated in the notes to such financial statements, and subject in the case of unaudited financial statements to changes resulting from normal year-end adjustments and the absence of notes as required by GAAP.

(c) The Company and its Subsidiaries have implemented and maintain a system of internal accounting controls which the Company reasonably believes is sufficient to provide reasonable assurances regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP.

(d) A complete list of the Company's and each Subsidiary's borrowings and loan facilities as of the date hereof (other than intercompany indebtedness), is set forth in Part 2.4(d) of the Disclosure Schedule. There are no Liabilities of the Company or any of its Subsidiaries, contingent or otherwise, relating to or affecting the Company or any of its assets or properties which would be required to be disclosed as a liability on a balance sheet prepared in accordance with GAAP, other than: (i) as set forth on or reserved against in the Financial Statements (including the notes thereto), (ii) Liabilities incurred since the Company Balance Sheet Date in the ordinary course of business consistent with past practice or Transaction Costs, and (iii) for obligations or Liabilities set forth in Part 2.4(d) of the Disclosure Schedule.

2.5 Absence of Changes. Except as set forth in Part 2.5 of the Disclosure Schedule or as specifically disclosed in the Financial Statements (including the notes thereto), since the Company Balance Sheet Date:

(a) there have been no changes, events, occurrences or developments of the Company or any Subsidiary which, individually or in the aggregate, have had or would reasonably be expected to have in the future a Material Adverse Effect;

(b) neither the Company nor any Subsidiary has declared, accrued, set aside or paid any dividend or made any other distribution in respect of any capital stock, and has not repurchased, redeemed or otherwise reacquired any shares or other securities of the Company or any Subsidiary;

(c) neither the Company nor any Subsidiary has sold, issued or authorized the issuance of (i) any capital stock or other security of the Company or any Subsidiary (other than issuances of Company Common Stock pursuant to exercise of outstanding Company Stock Options), (ii) any Company Warrant, Company Stock Option or other right to acquire any capital stock or any other security of the Company or any Subsidiary (other than grants of Company Stock Options) or (iii) any instrument convertible into or exchangeable for any capital stock or other security of the Company or any Subsidiary;

(d) neither the Company nor any Subsidiary has amended or waived any of its rights under, or permitted the acceleration of vesting under (i) any provision of any agreement or grant letter awarding or evidencing any outstanding Company Warrant, Company Stock Option, or (ii) any share purchase agreement or restricted stock agreement;

(e) there has been no amendment to the Company's Certificate of Incorporation, or any charter or organizational documents of any Subsidiary and neither the Company nor any Subsidiary has effected or been a party to any recapitalization, reclassification of shares, split, reverse split or similar transaction;

(f) neither the Company nor any Subsidiary has formed any subsidiary or acquired any equity or debt interest (other than trade receivables in the ordinary course of business consistent with past practices) in any other Entity;

(g) other than expenditures included in the Company's most recent budget as provided to Parent, the aggregate capital expenditures of the Company and the Subsidiaries, in the aggregate, have not exceeded $500,000;

(h) except for insertion orders and purchase orders entered into in the ordinary course of business consistent with past practice or otherwise disclosed in Part 2.10(a) of the Disclosure Schedule, neither the Company nor any Subsidiary has amended or prematurely terminated, or waived any right or remedy under, any Material Agreement with a value per year in excess of $100,000;

(i) except in the ordinary course of business consistent with past practice, neither the Company nor any Subsidiary has (i) acquired, leased or licensed any right or other asset from any other Person, (ii) sold or otherwise disposed of, or leased or licensed, any right or other asset to any other Person, or (iii) waived or relinquished any right, except, in each case, for rights or other assets acquired, leased, licensed or disposed of under $100,000;

(j) neither the Company nor any Subsidiary has (i) written off as uncollectible, or established any extraordinary reserve with respect to, any Account Receivable or other Indebtedness in excess of $100,000 in the aggregate, or (ii) written off or written down any other of its assets or properties, or changed any reserves or liabilities associated therewith in excess of $100,000 in the aggregate;

(k) other than intercompany indebtedness, neither the Company nor any Subsidiary has made any pledge of any of its assets or otherwise permitted any of its assets to become subject to any Encumbrance except for Permitted Liens;

(l) neither the Company nor any Subsidiary has (i) lent money to any Person (other than pursuant to routine advances made to employees in the ordinary course of business consistent with past practice), or (ii) incurred or guaranteed any Indebtedness for borrowed money in excess of $100,000;

(m) neither the Company nor any Subsidiary has (i) established or adopted any employee benefit plan, (ii) paid any bonus or made any profit-sharing or similar payment to any of its directors, officers or employees, (iii) other than in the ordinary course of business consistent with past practice, increased the amount of the wages, salary, commissions, fringe benefits or other compensation or remuneration payable to, any of its directors, officers or employees, or (iv) hired any new sales persons for whom annual compensation exceeds $350,000 or any other employees for whom base salary, target bonus and target commission exceeds $200,000;

(n) there has been no resignation or termination of employment of any officer or employee of the Company or any Subsidiary or any notice, whether written or, to the Knowledge of the Company, oral, received from any officer or employee of the Company or any Subsidiary for whom annual compensation exceeds $200,000 of his intention to terminate or terminating his employment or retention with the Company or any Subsidiary;

(o) neither the Company nor any Subsidiary has changed any of its methods of accounting or accounting practices in any respect, including any change with respect to reserves (whether for bad debts, contingent liabilities or otherwise);

(p) neither the Company nor any Subsidiary has (i) failed to file any Tax Return or pay any Tax timely when due, (ii) made or changed any election with respect to any Tax, (iii) adopted or changed any accounting method in respect of any Taxes, (iv) entered into any Tax allocation agreement, Tax sharing agreement, Tax indemnity agreement or closing agreement, settlement or compromise of any claim or assessment in respect of any Taxes, or (v) consented to any extension or waiver of the limitation period applicable to any claim or assessment in respect of any Taxes with any Governmental Body or otherwise;

(q) except in the ordinary course of business consistent with past practice, neither the Company nor any Subsidiary has failed to pay or otherwise satisfy any liabilities in excess of $50,000 in the aggregate when due;

(r) neither the Company nor any Subsidiary has commenced or settled any Legal Proceeding; and no Legal Proceeding has been commenced or, to the Knowledge of the Company, threatened against the Company or any Subsidiary; and

(s) neither the Company nor any Subsidiary has agreed or committed to take any of the actions referred to in clauses "(b)" through "(r)" above.

2.6 Title to Property and Assets.

(a) The Company and each Subsidiary has good and valid title to all of their respective tangible properties, and interests in tangible properties and assets, real and personal, reflected on the Company Balance Sheet or acquired after the Company Balance Sheet Date (except such properties and assets, or interests in such properties and assets, sold or otherwise disposed of since the Company Balance Sheet Date in the ordinary course of business consistent with past practice), or, with respect to such leased properties and assets, valid leasehold interests in such properties and assets which afford the Company valid leasehold possession of the properties and assets that are the subject of such leases, in each case, free and clear of all Encumbrances, except for Permitted Liens. All tangible properties and assets owned or used by the Company and the Subsidiaries which are subject to a requirement of licensing, registration or insurance are in material compliance with such licenses, registration and/or insurance requirements. The plant, property and equipment of the Company and each Subsidiary (excluding any leased real property) that are used in, and material to, the operations of their respective businesses are (i) in good operating condition and repair, subject to normal wear and tear (ii) not obsolete or in need of renewal or replacement, except for renewal or replacement in the ordinary course of business consistent with past practice and (iii) adequate for the uses to which they are being put and are adequate for the conduct of the Company's and each Subsidiary's business in the manner in which such business is currently being conducted. All tangible assets used in the operations of the Company or any Subsidiary are reflected on the Company Balance Sheet to the extent required under GAAP to be so reflected. The tangible assets owned or leased by the Company and its Subsidiaries are used only for the conduct of the business of the Company and its Subsidiaries, and are not used for any other purpose. Part 2.6(a) of the Disclosure Schedule identifies as of the date hereof each parcel of real property leased by the Company or any Subsidiary (the "**Company Facilities**"). The Company has heretofore provided to Purchaser's counsel true, correct and complete copies of all leases, subleases and other agreements under which the Company and/or any Subsidiary uses or occupies or has the right to use or occupy, now or in the future, any real property or facility, including all modifications, amendments and supplements thereto, in each case, in effect as of the date hereof (the "**Company Leases**"). Neither the Company nor any Subsidiary currently owns any real property. The Company and its Subsidiaries do not owe brokerage commissions or finders' fees with respect to any Company Leases and would not owe any such fees if any existing Company Leases were renewed. Neither the Company nor any Subsidiary has, based on the condition as of the Closing, any material liability in connection with nor any material obligation under any Company Leases or applicable Legal Requirements to pay any amount to a third party (including, without limitation, any landlord of any of the Company Facilities) in connection with restoring to its original condition or otherwise repairing any damage to any Company Facilities, whether such liability or obligation arises upon termination of any Company Lease or applicable Legal Requirement, vacation of any Company Facility or otherwise. To the Knowledge of the Company, the operation of the Company and its Subsidiaries on the Company Facilities does not violate any applicable building code, zoning requirement or statute relating to such Company Facilities or operations thereon, and any such non-violation is not dependent on so-called non-conforming use exceptions.

(b) With respect to the Company Leases, (i) neither any existing fact or event, nor the execution and delivery or effectiveness of this Agreement or the performance of the Company's obligations under this Agreement, or, to the Company's Knowledge, any other reason, would reasonably be expected to (A) entitle or require the landlord or licensor under such Company Lease to forfeit or take possession of, or occupy such property, or (B) restrict or terminate the Company or such Subsidiary's continued and uninterrupted possession or occupation of such property, (ii) the Company or such Subsidiary has paid all rent and fees currently due and payable under each Company Lease as of the date hereof, (iii) there is no existing material breach or non-observance of any covenant, condition or agreement contained in any Company Lease on the part of either the Company or any Subsidiary or, to the Company's Knowledge, the relevant landlord or licensor, and (iv) where the Company or such Subsidiary is responsible for maintaining insurance of such property, the insurance policy conforms in all material respects with the requirements of the relevant Company Lease.

2.7 Bank Accounts; Receivables.

(a) Part 2.7(a) of the Disclosure Schedule identifies (by institution, account number and account name) each account maintained by or for the benefit of the Company or any Subsidiary at any bank or other financial institution (each, a "**Bank Account**"), and sets forth the respective balance of each such Bank Account as of the close of business on the date prior to the date hereof.

(b) Except as set forth in Part 2.7(b) of the Disclosure Schedule, neither the Company nor any Subsidiary has any Accounts Receivable. Part 2.7(b) of the Disclosure Schedule provides an accurate and complete breakdown and aging of all Accounts Receivable, notes receivable and other receivables of the Company or any Subsidiary as of the date hereof. All Accounts Receivable of the Company or any Subsidiary (including those accounts receivable that have not yet been collected) (i) are properly reflected on the books and records of the Company in accordance with GAAP, and (ii) represent valid obligations of customers of the Company and each Subsidiary arising from bona fide transactions entered into in the ordinary course of business consistent with past practice. The Company's reserve for contractual allowances and doubtful accounts as reflected in the Financial Statements is adequate and has been calculated in a manner consistent with past practice.

2.8 Export Control Laws. The Company and each Subsidiary have conducted their export transactions in accordance with applicable provisions of United States and Israeli export control Laws and regulations, including the U.S. Export Administration Regulations (the "**EAR**," 15 C.F.R. § 730 *et seq.*), the International Traffic in Arms Regulations (the "**ITAR**," 22 C.F.R. § 120 *et seq.*), the U.S. economic sanctions administered by the Office of Foreign Assets Control ("**OFAC**," 31 C.F.R. Part 500 *et seq.*), the Control of Products and Services Declaration (Engagement in Encryption) – 1974, as amended, the Control of Products and Services Order (Export of Warfare Equipment and Defense Information) – 1991, as amended, the Defense Export Control Order (Combat Equipment) - 2008, the Defense Export Control Law – 2007, as amended and Israeli Ministry of Economy List of Source Items and Dual Use Items. Without limiting the foregoing:

(a) the Company and each Subsidiary have obtained, and have remained in compliance in all material respects with, all export licenses and other approvals required for its exports of products, software and technologies from the United States;

(b) there are no pending or, to the Knowledge of the Company, threatened, claims against the Company or any Subsidiary with respect to such export licenses or other approvals, nor any actions, conditions or circumstances pertaining to the Company's or any Subsidiary's export transactions that would reasonably be expected to give rise to any future claims;

(c) the Company and each Subsidiary have not unlawfully exported, re-exported, or transferred any goods, services, technology, or technical data to, on behalf of, or for the benefit of any person or entity (i) located in Cuba, Iran, North Korea, Sudan, or Syria, or (ii) that was at the time designated as a Specially Designated National or Foreign Sanctions Evader by OFAC, or on the Denied Persons, Entity, or Unverified Lists of the Bureau of Industry and Security; and

(d) the Company and each Subsidiary have not violated the anti-boycott prohibitions, or failed to comply with the reporting requirements, of the EAR (15 C.F.R. § 760) and the Tax Reform Act of 1976 (26 U.S.C. § 999).

2.9 Intellectual Property and Other Intangible Assets.

(a) As used herein, the term:

(i) "**Company Intellectual Property**" shall mean all Intellectual Property and Intellectual Property Rights owned by the Company or any Subsidiary.

(ii) "**Intellectual Property**" shall mean (A) Intellectual Property Rights; and (B) Technology.

(iii) "**Intellectual Property Rights**" shall mean any or all of the following and all rights in, arising out of, or associated therewith throughout the world (A) trademarks, service marks, trade dress, logos, corporate names, trade names and Internet domain names and other source indicators, whether registered or unregistered, and all goodwill associated therewith throughout the world; (B) all United States and foreign patents and utility models and applications therefor and all reissues, divisions, re-examinations, renewals, extensions, provisionals, continuations and continuations-in-part thereof and equivalent or similar rights in inventions and discoveries anywhere in the world, including invention disclosures; (C) copyrights, copyrightable works, whether registered or unregistered, and registrations and applications therefor, works of authorship and moral rights; (D) mask work rights, mask work registrations and applications therefor; (E) confidential and proprietary information, including trade secrets, discoveries, concepts, ideas, research and development, algorithms, know-how, formulae, inventions (whether or not patentable), processes, techniques, technical data, designs, drawings, specifications, databases; and (F) any similar, corresponding or equivalent rights to any of the foregoing anywhere in the world.

(iv) "**Personal Data**" shall mean information from or about an individual person whose use, aggregation, holding or management is restricted under any applicable Law, including, but not limited to, an individual person's: (A) personally identifiable information (*e.g.*, name, street address, telephone number, e-mail address, photograph, social security number, credit card information and/or account information, driver's license number, passport number, or customer or account number, or any other piece of information that allows the identification of a natural person); and (B) Internet Protocol address or other persistent identifier.

(v) "**Technology**" shall mean any and all tangible embodiments of the following: works of authorship, computer programs, source code and executable code, whether embodied in software, firmware or otherwise, assemblers, applets, compilers, user interfaces, application programming interfaces, protocols, architectures, documentation, annotations, comments, designs, files, records, schematics, test methodologies, test vectors, emulation and simulation tools and reports, hardware development tools, models, tooling, prototypes, breadboards and other devices, data, data structures, databases, data compilations and collections, inventions (whether or not patentable), invention disclosures, discoveries, improvements, technology, proprietary and confidential ideas and information, know-how and information maintained as trade secrets, tools, concepts, techniques, methods, processes, formulae, patterns, algorithms and specifications, customer lists and supplier lists and any and all tangible instantiations or embodiments of the foregoing or of any Intellectual Property Rights in any form and embodied in any media.

(b) The Company and the Subsidiaries own all right, title and interest in and to, or has a valid and enforceable right to use, free and clear of all claims and Encumbrances, the Intellectual Property used in the conduct of the Company's and each Subsidiary's business as currently conducted. The use of Company Intellectual Property in the Company's and each Subsidiary's business as currently conducted does not violate, infringe, interfere with or constitute a misappropriation of any Intellectual Property or other right, Lien or claim of any other Person, including without limitation, of its present or former employees or the former employers of all such Persons. Neither the Company nor any of its Subsidiaries have received any written notice, and to the Knowledge of the Company no other Person claims, that any Persons owns or has been granted by the Company or any Subsidiary an exclusive license to any Company Intellectual Property. Except for License-In Contracts, Immaterial License-In Contracts and non-exclusive "shrink wrap" or other form-based, generally, commercially available software, neither the Company nor any Subsidiary is obligated or under any liability whatsoever to make any payments by way of royalties, fees or similar payments to any owner or licensor of, or other claimant to, any Intellectual Property, with respect to the use thereof in connection with the conduct of the Company's and each Subsidiary's business. The Company Intellectual Property is valid and enforceable.

(c) Any and all Intellectual Property which has been developed or is currently being developed by any Persons for the Company or any Subsidiary that is purported to be Company Intellectual Property: (i) has been developed in the course of their employment or engagement with the Company or a Subsidiary, such that pursuant to applicable Legal Requirements all Intellectual Property arising therefrom has become the exclusive property of the Company or a Subsidiary or (ii) has been validly assigned solely to the Company or a Subsidiary free of any claims and under signed written agreements providing that all such Intellectual Property are owned exclusively by the Company or any Subsidiary and all rights of paternity, integrity, disclosure and withdrawal and any other rights that may be known as or referred to as "moral rights," "artist's rights," "droit moral," or the like and the right to receive compensation in connection with "Service Inventions" under Section 134 of the Israeli Patent Law 1967 have been explicitly waived. The Company and each Subsidiary have taken commercially reasonable steps to maintain the secrecy of the Company's and each Subsidiary's nonpublic information (where "nonpublic information" means information that is not generally known or readily ascertainable through proper means, whether tangible or intangible) from which the Company or any Subsidiary derives material independent economic value from the nonpublic information not being generally known. The Company and each Subsidiary have taken commercially reasonable security measures to protect the secrecy and confidentiality of all the Company Intellectual Property, which measures are reasonable and customary in the industry in which it operates. Each current and former Service Provider who, either alone or in concert with others, developed, invented, discovered, derived, programmed or designed the Company Intellectual Property, or who has material knowledge of or access to confidential information about the Company Intellectual Property, has entered into a valid and legally binding written proprietary information and assignment of inventions and non-disclosure agreement with the Company or any Subsidiary. All amounts payable by the Company or any Subsidiary to all Persons involved in the research, development, conception or reduction to practice of any Company Intellectual Property who were engaged or employed by Company or any Subsidiary have been paid in full and no royalty, remuneration, compensation or other similar amounts remain outstanding or may become due and payable under any circumstance, including in connection with their contribution to the conception, reduction to practice, creation or development of any Company Intellectual Property, except for amounts paid or payable to employees or independent contractors in connection with employment or services rendered or to be rendered in the ordinary course and not in the nature of a royalty. To the Knowledge of the Company, none of the present or former employees, officers or consultants of the Company or any Subsidiary are in violation of any confidentiality or invention assignment provisions in any agreements protecting the Company Intellectual Property, and the Company and each Subsidiary have used commercially reasonable efforts to prevent and detect any such violation. Except as set forth on Part 2.9(c) of the Disclosure Schedule, since March 19, 2008 no Person, including current and former employees or consultants, has excluded Intellectual Property made or conceived prior to such Person's employment with or work for the Company or Subsidiary from such Person's assignment of inventions pursuant to such assignment of inventions agreements. To the Knowledge of the Company, no current or former employee, consultant or independent contractor of the Company or any Subsidiary who is or was involved in, or who has contributed to, the creation or development of any Company Intellectual Property, in whole or in part, has performed services for, or was an employee of, or was otherwise engaged by any third party during or prior to the time of such Person's employment or engagement by the Company or any Subsidiary, in a manner that may provide the basis for any claim, interest, or right of such third party with respect to any Company Intellectual Property.

(d) Neither the Company nor any Subsidiary has applied for or is subject to any arrangement for receipt or repayment of any grant, subsidy or financial assistance from any Governmental Body, including, without limitation, the Chief Scientist of the Israeli Ministry of Economy, the Investment Center of the Israeli Ministry of Economy established under the Israel Law for the Encouragement of Capital Investments-1959, the BIRD Foundation or any other grant programs for research and development, the European Union or the Fund for Encouragement of Marketing Activities of the Israeli Government. No university, military, educational institution, research center, Governmental Body, entity owned or controlled by any Governmental Body or other organization (each, an "**R&D Sponsor**") has sponsored or provided funding for research and development conducted in connection with the business of the Company or any Subsidiary, or, to the Knowledge of the Company, has any claim of right to, ownership of or other Encumbrance on any owned or exclusively licensed Company Intellectual Property. Neither the Company nor any Subsidiary has participated in any standards-setting activities or joined any standards setting or similar organization that would adversely affect the proprietary nature of any Company Intellectual Property or restrict the ability of the Company or any Subsidiary to enforce, license or exclude others from using any Company Intellectual Property. To the Knowledge of the Company, no Person (including any current and former employee, consultant or independent contractor of the Company or any Subsidiary) who is or was involved in, or who has contributed to, the creation or development of any of the owned Company Intellectual Property has performed services for, was an employee of, or was otherwise engaged (including as a graduate student) by any R&D Sponsor, during the time period in which such Person was engaged by the Company or any Subsidiary or during the period such Person would be deemed under applicable Legal Requirements to have contributed to the creation or development of Company Intellectual Property. Neither the Company nor any Israeli Subsidiary has received any written notice from any Governmental Body, claiming any rights under Section 55, Chapter 6 or Chapter 8 of the Israeli Patent Law 1967.

(e) Neither the Company, any Subsidiary nor, to the Knowledge of the Company, any of their respective directors, officers or employees, has received any written, or to the Knowledge of the Company, oral, claim, notice or other communication alleging, that the Company or any Subsidiary has violated or by conducting its business as currently conducted would violate, misappropriate, infringe, interfere with or constitute an appropriation of any Intellectual Property or other rights of any other Person. Neither the Company, any Subsidiary nor, to the Knowledge of the Company, any of their respective directors, officers or employees, has received written, or to the Knowledge of the Company, oral, notice of any infringement or misappropriation of or conflict with asserted rights of others, with respect to any of the Company Intellectual Property or of any facts, or assertion of any facts which could render any of the Company Intellectual Property invalid or unenforceable. Neither the Company nor any Subsidiary has Knowledge of any infringement or misappropriation of the Company Intellectual Property.

(f) To the Knowledge of the Company, none of the Company's or its Subsidiaries' employees, officers or directors are obligated under any Contract, or subject to any judgment, decree or order of any court or administrative agency that would interfere with the use of such persons' best efforts to promote the interests of the Company or any Subsidiary or that restrict such person from performing his duties for the Company or any Subsidiary and/or will render the Company Intellectual Property infringing or in violation of such Contract or that would conflict with the Company's business as conducted. It is not, and, to the Knowledge of the Company, will not in connection with the Company's or any Subsidiary's business as currently conducted, become necessary to utilize any inventions, and specifically, inventions covered by patents or patent applications, of any current or former Service Provider made prior to their service with the Company or any Subsidiary, other than those that have been assigned or licensed to the Company or any Subsidiary pursuant to valid and legally binding instruments of assignment or licensure, as applicable.

(g) Part 2.9(g) of the Disclosure Schedule lists all Intellectual Property Rights as of the close of business on November 20, 2015 that are the subject of an application or registration filed or recorded with any public legal authority by or on behalf of the Company or any Subsidiary worldwide ("**Registered Intellectual Property Rights**") and the jurisdictions in which it has been issued or registered or in which any application for such issuance and registration has been filed, or in which any other filing or recordation has been made; and all actions that are required to be taken by the Company or any Subsidiary on or before December 31, 2015 with respect to such Intellectual Property Rights with any public legal authority in order to avoid abandonment of such Intellectual Property Rights, and identifies all third parties that share ownership rights to the Registered Intellectual Property Rights with the Company or any Subsidiary, including without limitation joint owners and co-applicants. Each item of Registered Intellectual Property Rights is subsisting (or in the case of applications, applied for), all registration, maintenance and renewal fees currently due in connection with such Registered Intellectual Property Rights have been paid and all documents, recordations and certificates in connection with such Registered Intellectual Property Rights currently required to be filed have been filed with the patent, copyright, trademark or other authorities in the United States and/or foreign jurisdictions in which the Registered Intellectual Property Rights are registered or applied for, as the case may be, for the purposes of prosecuting, maintaining, and perfecting such Registered Intellectual Property Rights and recording the Company's or any Subsidiary's ownership interests therein.

(h) Part 2.9(h)(1)(i) of the Disclosure Schedule lists, as of the close of business on November 20, 2015, all licenses, sublicenses, and other Contracts to which the Company or any Subsidiary is a party and pursuant to which any Person is authorized to use any Company Intellectual Property ("**License-Out Contracts**"), other than (i) non-exclusive end-user licenses to Company or Subsidiary products granted in the ordinary course of business consistent with past practice for an annual consideration of less than $25,000 or non-exclusive "shrink wrap" or other form-based generally, commercially available licenses; and (ii) standard terms governing third Person's access to, and use of, the Company's or any Subsidiary's website (collectively hereinafter "**Immaterial License-Out Contracts**"). Part 2.9(h)(1)(ii) of the Disclosure Schedule lists, as of the close of business on November 20, 2015, all licenses, sublicenses, and other Contracts to which the Company or any Subsidiary is a party and pursuant to which the Company or any Subsidiary is authorized to use Intellectual Property of any third party ("**License-In Contracts**"), other than (i) non-exclusive licenses to Intellectual Property Rights owned by a third Person granted to the Company or any Subsidiary in the ordinary course of business consistent with past practice for an annual consideration of less than $25,000; and (ii) standard end user contracts for "shrink wrap" or other form-based generally, commercially available licensed software; (collectively hereinafter "**Immaterial License-In Contracts**"). Each of the Contracts listed in Part 2.9(h)(1)(i) or (ii) of the Disclosure Schedule is in full force and effect and is a valid and binding obligation of Company and/or a Subsidiary and the Company has no Knowledge of the invalidity of or grounds for rescission, avoidance or repudiation of any of such Contracts and neither the Company nor any Subsidiary has received any written notice of any intention to terminate any such Contract. Neither the Company nor any Subsidiary is in material default or otherwise in material breach of any license, sublicense, or Contract listed in Part 2.9(h)(1)(i) or (ii) of the Disclosure Schedule. Neither the Company nor any Subsidiary is obligated to transfer or license any Company Intellectual Property, nor is the Company or any Subsidiary, as of the Closing obligated to transfer or license any Intellectual Property Rights later obtained by the Company or any Subsidiary, to a third party. Neither the Company nor any Subsidiary is obligated to transfer or license any Company Intellectual Property to a third Person, nor is the Company or any Subsidiary, as of the Closing obligated to transfer or license any Intellectual Property Rights later obtained by the Company or any Subsidiary, to a third Person, nor will the consummation of the transactions contemplated by the Transaction Documents violate or result in material breach, modification or termination of any Contract listed in Part 2.9(h)(1)(i) or (ii) of the Disclosure Schedule. The Company Intellectual Property and other Intellectual Property and Intellectual Property Rights licensed to the Company or any Subsidiary constitutes all of the Intellectual Property necessary to enable the Company and each Subsidiary to conduct its business in the manner in which such business has been and is being conducted. Neither the Company nor any Subsidiary has entered into any covenant not to compete or Contract limiting its ability to exploit fully any of its Intellectual Property or to transact business in any market or geographical area or with any Person.

(i) Except as set forth in Part 2.9(i) of the Disclosure Schedule, neither the Company nor any Subsidiary has, as of the close of business on November 20, 2015, used Open Source Materials, incorporated Open Source Materials into, combined Open Source Materials with, or distributed Open Source Materials with any Company Intellectual Property or products sold or distributed by the Company or any Subsidiary. "Open Source Materials" means software or other material that is distributed as "free software" or "open source software" or meeting the Open Source Definition (as promulgated by the Open Source Initiative) or the Free Software Definition (as promulgated by the Free Software Foundation), or any substantially similar license, including but not limited to any license under licensing terms approved by the Open Source Initiative (including but not limited to the GNU General Public License (GPL), GNU Lesser General Public License (LGPL), Mozilla Public License (MPL), BSD licenses, the Artistic License, the Netscape Public License, the Sun Community Source License (SCSL) the Sun Industry Standards License (SISL) and the Apache License). Where Open Source Materials have been utilized, the Company and each Subsidiary is in compliance with all terms and conditions of all licenses for such Open Source Materials. The Open Source Materials have not been utilized in any manner that would (A) require the disclosure or distribution of any software or Intellectual Property owned by the Company or any Subsidiary in source code form, (B) require the licensing of any Company Intellectual Property for the purpose of making derivative works, (C) impose any restriction on the consideration to be charged for the distribution of any Company Intellectual Property, (D) create obligations of the Company or any Subsidiary with respect to any Company Intellectual Property or grant to any third party, any rights or immunities under any Company Intellectual Property, or (E) impose any other material limitation, restriction or condition on the right of the Company or any Subsidiary to use or distribute any Company Intellectual Property. The Company has no escrow agreement or arrangement between the Company and any Person that would permit such Person or any other party to obtain a copy of Company's source code and program documentation (or any portion thereof) upon any event, including the liquidation, dissolution or winding up of the Company or upon termination, breach or alleged breach of any Contract, or under any other circumstances. Neither the Company nor any Subsidiary has disclosed, delivered or licensed to any Person any source code owned by the Company or any Subsidiary. Neither the execution of the Transaction Documents nor any of the transactions contemplated by the Transaction Documents will result in a release from escrow or other delivery to a third party of any Company or Subsidiary source code.

(j) In each case in which the Company or any Subsidiary has acquired any Intellectual Property from any Person, the Company or each such Subsidiary has, to the extent necessary to vest the Company's or such Subsidiary rights in such Intellectual Property, obtained a valid and enforceable assignment sufficient to irrevocably transfer all rights in such Intellectual Property (including the right to seek past and future damages with respect to such Intellectual Property) to the Company and/or each Subsidiary, as applicable, and, to the maximum extent necessary to perfect such rights, and in accordance with, applicable Laws and regulations, the Company and each Subsidiary have recorded each such assignment with the relevant Governmental Body, including the U.S. Patent and Trademark Office, the U.S. Copyright Office, or their respective equivalents in any relevant foreign jurisdiction.

(k) Privacy. The Company and each Subsidiary have established privacy policies with respect to Personal Data, which are in conformance with reputable industry practice and applicable Legal Requirements. The Company and each Subsidiary comply in all material respects with their privacy policies, with any contractual obligations relating to privacy, data protection, and the collection and use of the Personal Data, and with all applicable Legal Requirements relating to the use, collection, storage, protection and security, disclosure and transfer of any Personal Data collected by the Company or any Subsidiary or by third parties having authorized access to the records of the Company or any Subsidiary. The execution, delivery and performance of the Transaction Documents, will not violate in any material respect any applicable Legal Requirements relating to privacy of Personal Data or any Company or Subsidiary privacy policy. Neither the Company nor any Subsidiary has received and is not aware of any complaint received in writing, or to the Knowledge of the Company, orally, regarding the Company's or a Subsidiary's collection, use or disclosure of Personal Data.

(l) The Company and each Subsidiary have complied and do comply in all material respects with the CAN-SPAM Act and all other applicable legislation regulating the transmission of commercial email ("**UCE Laws**") and has contractually obliged and does contractually oblige all companies that send advertising on its behalf to so comply. No claims have been asserted against the Company or any Subsidiary alleging a violation of any UCE Laws and, to the Knowledge of the Company, no such claims would reasonably be expected to be asserted against Company or any Subsidiary and/or any third party advertisers acting on behalf of the Company or any Subsidiary. None of the Company Intellectual Property installs "spyware," "adware" or other malicious code that could compromise the privacy or data security of end-users and/or their computer systems and/or collects information from an end user without their knowledge (collectively, "**Spyware**"). No claims have been asserted against the Company or any Subsidiary alleging any use of Spyware by the Company, any Subsidiary or any third party marketing the business of the Company, any Subsidiary or the Company Intellectual Property.

(m) There are no viruses, worms, Trojan horses or similar programs in any software included within the Company Intellectual Property, in each case, that would materially impair the performance of such software or otherwise compromise the integrity or security of any data used or accessible by such software. The software included in the Company Intellectual Property operates and performs in a manner that permits the Company and each Subsidiary to operate the business and, to the Knowledge of the Company, no person has gained unauthorized access to such software and the Company and each Subsidiary have implemented reasonable backup and disaster recovery technology consistent with industry practices.

(n) The Company and each Subsidiary have (i) commercially reasonable security measures in place designed to protect all Personal Data under its control and/or in its possession and to protect such Personal Data from unauthorized access by any parties; and (ii) maintained its and their hardware, software, encryption, systems, policies and procedures to protect the privacy, security and confidentiality of all Personal Data in accordance with all applicable Legal Requirements.

(o) (i) Neither the Company nor any Subsidiary has suffered any breach in security that has permitted any unauthorized access to the Personal Data under its control or possession and (ii) the Company and each Subsidiary have required and do require all third parties to which they provide Personal Data and/or access thereto to maintain the privacy and security of such Personal Data, including by contractually obliging such third parties to protect such Personal Data from unauthorized access by and/or disclosure to any unauthorized third parties.

(p) The consummation of the transactions contemplated by the Transaction Documents, for the avoidance of doubt, excluding the consummation of any transactions related to the financing of the Merger, will not cause (i) the creation of any Encumbrance on any Company Intellectual Property, (ii) Parent or any of its Affiliates (other than the Company) being bound by or subject to any non-compete or licensing obligation, covenant not to sue, or other material and express restriction on the operation or scope of its business, to which the Company or any Subsidiary is not bound or subject on the date hereof, or (iii) Parent or any of its Affiliates, or the Company, or any Subsidiary, being obligated to pay any royalties, honoraria, fees or other payments to any Person with respect to any Company Intellectual Property in excess of those payable by the Company or any Subsidiary on the date hereof.

2.10 Agreements.

(a) All Material Agreements are listed in Part 2.10(a) of the Disclosure Schedule, with the exception of insertion orders with Key Agencies, where only a sample insertion order for each Key Agency is listed (the "**Form of Key Insertion Orders**"), and Key Publisher Purchase Orders, where only a sample Key Publisher Purchase Order for each PO-Key Publisher is listed. "**Material Agreement**" means the following Contracts to which the Company or any Subsidiary is a party and pursuant to which the Company or any Subsidiary has continuing rights or obligations:

(i) an Acquisition Transaction (other than clause (b) of the definition of Acquisition Transaction);

(ii) the acquisition or disposition of any direct or indirect equity or other interest in, or substantially all of the assets of, any other Entity;

(iii) any strategic alliance, joint venture, joint development, legal partnership or joint marketing arrangement between the Company or any Subsidiary and any other Person or any other Contract involving the sharing of profits, losses, costs or Liabilities with any Person;

(iv) any Contract under which any third Person is authorized to distribute, sell, market or take orders for any Company or Subsidiary product;

(v) (A) any Contract with the Key Vendors as of the close of business on November 20, 2015, (B) any insertion order with the Key Agencies in effect as of the close of business on November 20, 2015 and (C) any master services agreement or similar Contract for or with any of the Key Publishers as of the close of business on November 20, 2015 (the "**Key Publisher MSAs**") and any Key Publisher Purchase Orders;

(vi) (A) License-In Contracts, excluding Immaterial License-In Contracts and (B) License-Out Contracts excluding Immaterial License-Out Contracts;

(vii) any Contract involving the grant of any right of first refusal, or right of first offer or comparable right by the Company or any of its Subsidiaries with respect to any Company Intellectual Property;

(viii) any Contract involving the payment or receipt by the Company or any of its Subsidiaries of milestone payments;

(ix) any trust indenture, mortgage, promissory note, loan agreement or other Contract for the borrowing of money, any currency exchange, commodities or other hedging arrangement or any leasing transaction of the type required to be capitalized in accordance with GAAP; in each case, where Company or any of the Subsidiaries is a lender, borrower or guarantor other than agreements evidencing deposit liabilities, trade payables and contracts or agreements relating to borrowings entered into in the ordinary course of business consistent with past practice;

(x) any Contract for capital expenditures by the Company or any Subsidiary in excess of $100,000 in the aggregate in fiscal 2015 to date;

(xi) any Company Lease set forth on Part 2.10(a)(xi) of the Disclosure Schedule or any lease by the Company or any Subsidiary (whether real, personal or mixed, including any lease of any machinery, equipment, motor vehicles, office furniture, fixtures or other personal property) pursuant to which the annualized rent or lease payments for fiscal 2015 to date, as applicable, were more than $100,000;

(xii) any employment, consulting, advisory or similar services agreement involving the payments by the Company or any Subsidiary of more than $200,000 in base salary, target bonus and target commission for fiscal 2015;

(xiii) any Contract with any Stockholder, Warrantholder, Optionholder or Related Party of the Company or any of its Subsidiaries (excluding any employee agreements and option agreements);

(xiv) any guarantee, support, indemnification, assumption or endorsement by the Company or any Subsidiary of, or any similar commitment by the Company or any Subsidiary with respect to, the obligations, liabilities (whether accrued, absolute, contingent or otherwise) or Indebtedness of any other Person, including that of the Company or any Subsidiary, in each case, excluding Contracts entered into in the ordinary course of business consistent with past practice;

(xv) any contracts with independent contractors or consultants that cannot be cancelled by Company or any of the Subsidiaries without penalty or further payment and without more than ninety (90) days' notice;

(xvi) Contracts that restrict or limit the competitive freedom of the Company or any of its Subsidiaries to engage in any line of business or to compete with any other Person or in any geographic area or hiring or soliciting potential employees or consultants or during any period of time;

(xvii) any Contract that contains any (A) exclusive dealing obligation, including any Contract to which the Company or any of its Subsidiaries has agreed to acquire or license any product or service on an exclusive basis from a third party or has granted exclusive rights to a third party; (B) "clawback" or similar undertaking requiring the reimbursement or refund of any fees, (C) "most favored nation" or similar provision granted by Company or any of the Subsidiaries or (D) provision that grants any right of first refusal or right of first offer or similar right or that limits or purports to limit the ability of Company or any of the Subsidiaries to own, operate, sell, transfer, pledge or otherwise dispose of any assets or business; or

(xviii) all other Contracts and arrangements, the type or category of which is not otherwise covered by this Section 0, that contemplate an exchange of consideration with an aggregate value greater than $250,000 per year.

(b) Each Material Agreement is in full force and effect, and is enforceable by the Company or any Subsidiary in accordance with its terms, subject to (i) Laws of general application relating to bankruptcy, insolvency, reorganization, moratorium and the relief of debtors, and (ii) rules of Law governing specific performance, injunctive relief and other equitable remedies. The Company has no Knowledge of the invalidity of or grounds for rescission, avoidance or repudiation of any of the Material Agreements and neither the Company nor any Subsidiary has received any notice of any intention to terminate any such agreement.

(c) The Company has made available to Purchaser accurate and complete copies of all written Material Agreements identified in Part 2.10(a) of the Disclosure Schedule, including all amendments thereto.

(d) Neither the Company nor any Subsidiary has violated or breached, or committed any default under, any Material Agreement, and, to the Company's Knowledge, no other Person has violated or breached, or committed any default under, any Material Agreement. To the Company's Knowledge, no event has occurred, and no circumstance or condition exists, that (with or without notice or lapse of time) will, or would reasonably be expected to, (i) result in a violation or breach of any of the provisions of any Material Agreement, (ii) give any Person the right to declare a default or exercise any remedy under any Material Agreement, (iii) give any Person the right to accelerate the maturity or performance of any Material Agreement, or (iv) give any Person the right to cancel, terminate or modify any Material Agreement. Neither the Company nor any Subsidiary has received any written or, to the Knowledge of the Company, oral, notice regarding any actual or possible violation or breach of, or default under, any Material Agreement and, to the Knowledge of the Company, no party to any of the Material Agreements has made a claim to the effect that the Company or any Subsidiary has failed to perform an obligation thereunder. Neither the Company nor any Subsidiary has waived any of its rights under any Material Agreement that is material to the Company or any Subsidiary.

(e) No Person is renegotiating any amount paid or payable to the Company or any Subsidiary under any Material Agreement or any other material term or provision of any Material Agreement other than in the ordinary course of business consistent with past practice.

2.11 Guarantees and Agents. Except as disclosed in the Financial Statements (including the notes thereto):

(a) Neither the Company nor any Subsidiary has given any guarantee, indemnity or security for, or otherwise agreed to become directly or contingently liable for, any obligation of any other Person other than another of the Company or any Subsidiary, except in its ordinary course of business consistent with past practice, and to the Knowledge of the Company, no individual or entity has given any guaranty of or security for any of the Company's or any Subsidiary's obligations.

(b) There are in force no powers of attorney given by the Company or any Subsidiary with respect to any asset or business of the Company or any Subsidiary, and no individual or entity, as agent, representative, distributor or otherwise, is entitled or authorized to bind or commit the Company or any Subsidiary to any obligation not in the ordinary course of the Company's or any Subsidiary's business.

(c) Except as provided in the Financial Statements or otherwise incurred in the ordinary course of business consistent with past practice, neither the Company nor any Subsidiary is a party to any credit sale or conditional sale agreement or any contract providing for payment on deferred terms in respect of assets purchased by the Company or any Subsidiary.

2.12 Compliance with Legal Requirements.

(a) The Company and each Subsidiary have operated their business and affairs in accordance with all applicable Legal Requirements in all material respects and in accordance with its corporate documents and there is no material violation or material default with respect to any statute, regulation, order, decree, or judgment of any court or any Governmental Body. Each of the Company and each Subsidiary has been granted and there are now in force all material approvals, material consents and material licenses necessary for the carrying on of its business in the places and in the manner in which it is now carried on, and, to the Knowledge of the Company, there are no circumstances which evidence or indicate that any such approvals, consents or licenses, to the extent material to the Company's or the Subsidiary's business or assets, would reasonably be expected to be suspended, canceled, revoked or not renewed.

(b) All material reports, certifications, declarations, or other technical documentation, applications, claims and notices required to be filed, maintained, or furnished to any Governmental Body by the Company or any of its Subsidiaries have been so filed, maintained or furnished. All applications, notifications, certifications, declarations, submissions, information, claims, reports, statistics, technical documentation, and other data and conclusions derived therefrom, utilized as the basis for or submitted in connection with any and all requests for a Governmental Authorization relating to the Company's or any Subsidiary's business or its products, when submitted to the relevant Governmental Body were true, complete and correct in all material respects to the Company's or any Subsidiary's Knowledge as of the date of submission and any necessary or required material updates, changes, corrections or modifications to such applications, submissions, information and data have been submitted to the relevant Governmental Body. The Israeli Subsidiary has made and filed all material particulars, resolutions and documents required by the Israeli Companies Law – 1999, as amended and the regulations promulgated thereunder or any other applicable Legal Requirement required to be filed with the Israeli Registrar of Companies or any other Israeli Governmental Body, except where failure to make such filings would not be material to the Company.

2.13 Governmental Authorizations and Consents. Part 2.13 of the Disclosure Schedule identifies each Governmental Authorization held by the Company or any Subsidiary, accurate and complete copies of which have been made available by the Company to Purchaser. The Governmental Authorizations identified in Part 2.13 of the Disclosure Schedule are valid and in full force and effect, and collectively constitute, and each of the Company and each Subsidiary currently has, all Governmental Authorizations required to enable the Company and each Subsidiary to own, lease and operate its properties or to carry on their business as it is now being conducted. Except as would not unreasonably be expected to result in a material liability, neither the Company, its Subsidiaries nor, to the Knowledge of the Company, any person acting on their behalf, is or has since January 1, 2013 been in breach or violation of any Governmental Authorizations of the Company or any of its Subsidiaries to operate its business or by which any property or asset of the Company or any of its Subsidiaries is bound. No suspension or cancellation of any Governmental Authorization of the Company or any of its Subsidiaries is pending or, to the Knowledge of the Company, threatened. Neither the Company nor any of its Subsidiaries has received any written notice from any Governmental Body alleging: (i) any actual or possible violation of or failure to comply with any term or requirement of any such Governmental Authorization, or (ii) any actual or possible revocation, withdrawal, suspension, cancellation, termination or material adverse modification of any such Governmental Authorization. No Governmental Body is challenging or has challenged, and to the Knowledge of the Company, no Governmental Body has threatened to challenge, the right of the Company or any of its Subsidiaries to own, lease or operate its properties or to carry on its business.

2.14 Tax Matters.

(a) Each of the Company and each Subsidiary has promptly paid, or fully provided for in the Financial Statements or such Subsidiary's sole company accounts in accordance with GAAP, all Taxes for which it is liable. Neither the Company nor any Subsidiary is a party to any Tax allocation agreement, Tax sharing agreement, Tax indemnity agreement or Tax closing agreement (excluding, for this purpose, commercial contracts entered into in the ordinary course of business consistent with past practice, the principal purpose of which is not related to Taxes).

(b) All income and other material Tax Returns required to have been filed by or with respect to the Company and each Subsidiary have been duly filed (including any extensions), and each such Tax Return correctly and completely reflects in all material respects Tax liability and all other information required to be reported thereon. All such Tax Returns are true, complete and correct in all material respects through the date thereof (*provided*, *however*, that notwithstanding anything to the contrary in this Agreement, the Company makes no representations or warranties regarding the amount, value or condition of any Tax assets or attributes of the Company or its Subsidiaries). True, complete and correct copies of the Tax Returns filed by the Company and each Subsidiary with the applicable Governmental Bodies in respect of 2012, 2013 and 2014 have been provided to Purchaser. The Company and each Subsidiary have at all times and within the requisite time limits promptly, fully and accurately observed, performed and complied with all obligations or conditions imposed on it under any Legal Requirement relating to Taxes. Neither the Company nor any Subsidiary has settled or compromised any claim or assessment in respect of any Taxes, or requested or consented to any extension or waiver of the limitation period applicable to any claim or assessment in respect of any Taxes with any Governmental Body or otherwise.

(c) There are no audits, disputes, examinations, letter rulings or other similar proceedings regarding any material Taxes or Tax Returns of the Company or any Subsidiary currently in progress or threatened in writing.

(d) The Company's and its Subsidiaries' assets in Israel do not constitute a majority of the value of the assets of the Company and the Subsidiaries on a consolidated basis. The Company is not considered a resident of the State of Israel under the Ordinance.

(e) There are no Encumbrances on the assets of the Company or any Subsidiary relating to or attributable to Taxes other than Liens for Taxes not yet due and payable or Taxes being contested in good faith through appropriate proceedings and with adequate reserves under GAAP and as disclosed in Part 2.14(e) of the Disclosure Schedule.

(f) Neither the Company nor any Subsidiary is, nor has it been, a United States real property holding corporation (as defined in Section 897(c)(2) of the Code (as defined in Section 2.15(a) below)) during the applicable period specified in Section 897(c)(1)(A) of the Code. Neither the Company nor any Subsidiary owns any real property, and the Merger shall not give rise to any real estate transfer or excise taxes, including without limitation any State of Delaware or New York real estate excise tax or any Tax in any of the jurisdictions where the Company or any Subsidiary is incorporated or operate.

(g) Neither the Company nor any Subsidiary has received a Tax ruling from any Governmental Body or entered into any closing agreement in respect of Tax with a Governmental Body with respect to any Tax year.

(h) Each of the Company and each Subsidiary has complied in all material respects with all applicable Legal Requirements, rules and regulations relating to the payment and withholding of Taxes (including withholding of Taxes pursuant to Sections 1441 and 1442 of the Code or similar provisions under any non-U.S. Laws) and have, within the time and the manner prescribed by Law, withheld and paid over to the proper Governmental Body all amounts required to be so withheld and paid over under applicable Legal Requirements.

(i) Neither the Company nor any Subsidiary will be required to include any material item of income in, or exclude any material item of deduction from, taxable income for any taxable period (or portion thereof) ending after the Closing Date as a result of any of the following that occurred or exists on or prior to the Closing Date: (i) an installment sale or other open transaction or (ii) any adjustment under Section 481(a) or 263A of the Code or any comparable provision under any Legal Requirement relating to Taxes by reason of a change in the accounting method of the Company or any Subsidiary or otherwise.

(j) All Tax deficiencies that have been claimed, proposed, assessed or asserted against the Company or any Subsidiary have been fully paid or finally settled, and no issue has been raised in any examination by any Governmental Body that could reasonably be expected to result in the proposal or assertion of a Tax deficiency for another year not so examined.

(k) All transactions that could reasonably be expected to give rise to an understatement of the U.S. federal income tax liability of the Company or any Subsidiary within the meaning of Section 6662(d) of the Code are adequately disclosed on Tax Returns in accordance with Section 6662(d)(2)(B) of the Code if there is or was no substantial authority for the treatment giving rise to such understatement.

(l) Neither the Company nor any Subsidiary has any liability with respect to Taxes relating to the operation of the Company or any Subsidiary prior to December 31, 2013 in excess of the amounts accrued in accordance with GAAP with respect thereto as reflected in the Annual Financial Statements, and since the date of the Annual Financial Statements, neither the Company nor any Subsidiary has incurred any liability for Taxes, except with respect to operations in the ordinary course of business consistent with past practice after such date.

(m) Neither the Company nor any Subsidiary has been a member of any affiliated group within the meaning of Section 1504(a) of the Code, or any similar affiliated or consolidated group for Tax purposes under state, local or non-U.S. Legal Requirements (other than a group the common parent of which is the Company), or has any liability for Taxes of any Person (other than the Company or any Subsidiary) under Treasury Regulation Section 1.1502-6 or any similar provision of state, local or non-U.S. Legal Requirements as a transferee or successor, by contract or otherwise.

(n) During the five (5) year period ending on the date of this Agreement, neither the Company nor any Subsidiary has been either a "distributing corporation" or a "controlled corporation" within the meaning of Section 355 of the Code.

(o) The Company and each Subsidiary have at all times has been a resident for Tax purposes of their respective countries of incorporation. All records which the Company or any Subsidiary is required under applicable Legal Requirements to keep for Tax purposes (including without limitation all documents and records likely to be needed to defend any challenge by any Governmental Body to the transfer pricing of any transactions between the Company or any Subsidiary) have been duly kept (in accordance with all applicable statutory requirements).

(p) All related party transactions involving the Company or any Subsidiary are at arm's length in compliance with Section 482 of the Code and the Treasury Regulations promulgated thereunder and any similar provision of non-U.S., state and local Law. The Company and each Subsidiary have maintained in all respects all necessary documentation in connection with such related party transactions in accordance with Sections 482 and 6662 of the Code and the Treasury Regulations promulgated thereunder and any similar provision of non-U.S., state and local Law.

(q) The consummation of the transactions contemplated by the Transaction Documents will not, either alone or in combination with another event, result in any payment (whether in cash or property or the vesting of property) to any "disqualified individual" (as such term is defined in Treasury Regulation Section 280G(c)) pursuant to any Company Employee Plan that would reasonably be construed, individually or in combination with any other such payment, to constitute an "excess parachute payment" (as defined in Section 280G(b)(1) of the Code). No Service Provider is entitled to receive any gross-up or additional payment by reason of the tax required by Section 409A or 4999 of the Code being imposed on such person.

(r) Neither the Company nor any of its Subsidiaries (i) is a party to any "reportable transaction" within the meaning of Section 1.6011-4 of the Treasury Regulations, or Section 131(g) and Section 243 of the Ordinance and the respective regulations, (ii) has taken any position on a federal income Return that could reasonably be expected to give rise to a substantial understatement of federal income Tax within the meaning of Section 6662 of the Code without disclosing such position as provided in the applicable Treasury Regulations, and (iii) has been a party to any transaction or arrangement that could reasonably be expected to cause an extension of any statute of limitations related to Taxes, including an extension because the transaction or arrangement was required to be, but was not, reported to any Tax Authority.

(s) Part 2.14(s) of the Disclosure Schedule contains a list of all jurisdictions (whether foreign or domestic) (i) in which the Company or any of its Subsidiaries files any income or other material Returns; or (ii) in which the Company or any of its Subsidiaries has entered into any written agreement or arrangement with any Tax Authority, including, but not limited to, a closing agreement pursuant to Section 7121 of the Code (or any corresponding or similar provision of applicable state, local or foreign Tax Law), with regard to the Tax liability of the Company or any of its Subsidiaries affecting any Pre-Closing Tax Period for which the applicable statute of limitations, after giving effect to extensions or waivers, has not expired. No claim has been received in writing from any Tax Authority in a jurisdiction where the Company or any of its Subsidiaries does not file Returns that the Company or any of its Subsidiaries is or may be subject to Taxes imposed by that jurisdiction.

(t) Neither the Company nor any of its Subsidiaries has granted a power of attorney to any Person that is currently in force with respect to any Tax matter of the Company or its Subsidiaries.

(u) The Company and each Subsidiary are registered for sales tax and/or VAT purposes, as applicable, and Part 2.14(u) of the Disclosure Schedule contains full details of such registration, including any group registration details. Neither the Company nor any of its Subsidiaries is, nor has any been, a member of any other group of companies for VAT purposes other than the group disclosed on Part 2.14(u) of the Disclosure Schedule, and no company other than the Company or any of its Subsidiaries has been a member of such group.

(v) The Company and each of its Subsidiaries has complied in all material respects with all statutory provisions relating to VAT or other applicable sales Taxes, including requirements with respect to record keeping and the making of returns, and has properly accounted to the relevant Tax Authority for any such VAT or sales Taxes and, without derogating from the generality of the foregoing, (i) no repayments of VAT have been claimed by the Company or any of its Subsidiaries in the twelve (12) months prior to the Closing from the Tax authorities of Israel except in accordance with applicable Law and (ii) the Company and each Subsidiary have collected all amounts on account of any VAT required by applicable Law to be collected by them, and has remitted to the appropriate Tax Authority any such amounts required by applicable Law within the time prescribed by such requirements. Each of the Company and its Subsidiaries are only registered for VAT purposes in the jurisdiction in which it is incorporated. No Subsidiary has made an election pursuant to paragraph 2 of Schedule 10 to Value Added Tax Act 1994.

(w) Any related party transactions subject to Section 85A of the Ordinance conducted by the Israeli Subsidiary have been on an arms-length basis in accordance with Section 85A of the Ordinance and the regulations promulgated thereunder.

(x) Neither the Israeli Subsidiary nor, to the Company's Knowledge, any of the holders of the securities (with respect to the securities held by them) is subject to restrictions or limitations pursuant to Part E2 of the Ordinance or pursuant to any Tax ruling made in connection with the provisions of Part E2 of the Ordinance.

(y) The Israeli Subsidiary has not made any application for or received, on its behalf or on behalf on any of its stockholders or employees, and is not otherwise subject to, any "taxation decision" (*hachlatat misui*) or Tax ruling from the ITA, whether or not in connection with the transactions contemplated by this Agreement.

(z) Neither the Company nor its Subsidiaries have made or applied for any Tax exemptions, Tax holidays or other Tax reduction agreements or arrangements (including grants or claims of "approved enterprise," "benefitted enterprise" or "preferred enterprise" status). Part 2.14(z) of the Disclosure Schedule lists each Tax incentive granted to the Company or any of its Subsidiaries under the Laws of the State of Israel and the period for which such Tax incentive applies. The Company and each of its Subsidiaries have complied with all material requirements of Israeli Law to be entitled to claim all such incentives. Subject to the receipt of the approvals set forth on Part 2.14(z) of the Disclosure Schedule and compliance by the Company and each of its Subsidiaries with the applicable requirements and conditions, the consummation of the transactions contemplated by this Agreement will not adversely affect the remaining duration or the extent of any incentive or require any recapture of any previously claimed incentive, and no consent, approval, clearance of, or filing with, any Governmental Body or Tax Authority is required, prior to the consummation of such transactions in order to preserve the entitlement to any such incentive.

(aa) All claims for any relief claimed by a Subsidiary under Part 13 of the Corporation Tax Act 2009 ("**CTA**"), whether by way of additional deduction in calculating its profits subject to corporation tax or an amount payable by way of R&D tax credit were valid when made and reasonable details of all such claims are set forth in Part 2.14(aa) of the Disclosure Schedule and the Subsidiary qualified as an SME pursuant to Recommendation 2003/361/EC as qualified by Section 1120 of the CTA.

(bb) No Subsidiary has entered into, or agreed to enter into, an election pursuant to Sections 171A or 179A of TCGA, paragraph 16 of schedule 26 to the Finance Act 2008 or Section 792 of the CTA.

(cc) Neither the execution of this Agreement, the Merger, nor any other event since June 30, 2015, will result in any chargeable asset being deemed to have been disposed of and reacquired by any Subsidiary for Tax purposes under Section 179 of the TCGA, Sections 780 or 785 of the CTA, Sections 345 and 346 of the CTA, Sections 630 to 632 of the CTA, or as a result of any other event since June 30, 2015.

(dd) All documents in the possession of a Subsidiary or whose production a Subsidiary is entitled to and which attract stamp duty have been duly stamped.

(ee) All stamp duty land tax payable to the relevant Tax Authority in the United Kingdom by a Subsidiary has been paid in full on the due date and no Subsidiary has applied to defer payment of stamp duty land tax nor made a claim for relief from stamp duty land tax under schedule 7 Finance Act 2003 or Section 57A Finance Act 2003.

(ff) The representations set forth in this Section 2.14, together with certain representations and warranties set forth in Section 2.15 below (to the extent relating to Taxes) shall constitute the Company's only representations and warranties in respect of Taxes.

2.15 Employees.

(a) The following definitions will apply to this Section 2.15:

(i) "**Code**" shall mean the United States Internal Revenue Code of 1986, as amended;

(A) "**Company Employee Plan**" shall mean any employment agreement, consulting agreement, plan, program, policy, practice, contract, agreement or other arrangement providing for compensation, severance, termination pay, deferred compensation, performance awards, change of control payments, stock or stock-related awards, pension, life assurance, medical benefit, fringe benefits or other employee benefits or remuneration of any kind, whether funded or unfunded, including without limitation, each "employee benefit plan," within the meaning of Section 3(3) of ERISA which is maintained, contributed to, or required to be contributed to, by the Company or any Subsidiary for the benefit of any Employee, or with respect to which the Company or any Subsidiary has or may have any liability or obligation;

(ii) "**ERISA**" shall mean the Employee Retirement Income Security Act of 1974, as amended;

(iii) "**ERISA Affiliate**" shall mean any other person or entity under common control with the Company or any Subsidiary within the meaning of Section 414(b), (c), (m) or (o) of the Code and the regulations issued thereunder;

(iv) "**Multiemployer Plan**" shall mean any "Pension Plan" which is a "multiemployer plan," as defined in Section 3(37) of ERISA;

(v) "**Pension Plan**" shall mean an "employee pension benefit plan," within the meaning of Section 3(2) of ERISA;

(b) Part 2.15(b) of the Disclosure Schedule contains an accurate and complete list of each Company Employee Plan. Neither the Company, any Subsidiary, nor any ERISA Affiliate contributes to or has any contingent obligations to any Multiemployer Plan. Neither the Company, any Subsidiary nor any ERISA Affiliate has incurred any liability (including secondary liability) to any Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan under Section 4201 of ERISA or as a result of a sale of assets described in Section 4204 of ERISA.

(c) Neither the Company, any Subsidiary nor any ERISA Affiliate has ever maintained, established, sponsored, participated in, or contributed to or had any obligation to contribute to a plan or arrangement that is or had any obligation to contribute to a plan or arrangement that is: (i) any Pension Plan which is subject to Title IV of ERISA or Section 412 of the Code, (ii) a multiemployer plan within the meaning of Section 3(37) of ERISA; (iii) a "multiple employer plan" (within the meaning of ERISA or the Code); (iv) maintained in connection with any trust described in Section 501(c)(9) of the Code or (v) any other pension plan, including any German occupational scheme except for employee-financed contributions to pension funds. Each Company Employee Plan that is a life assurance, health or welfare benefit plan is fully insured. No Company Employee Plan provides post-termination health or welfare benefits other than as required by Part 6 of Subtitle B of Title I of ERISA or Section 4980B of the Code ("**COBRA**") or similar state Law.

(d) Each Company Employee Plan has been established, maintained and administered, in both form and operation, in all material respects, with its terms, ERISA and the Code and with the requirements prescribed by Legal Requirements that are applicable to such Company Employee Plan, and no condition exists or event has occurred with respect to any such Company Employee Plan which would result in the incurrence by the Company or any Subsidiary of any material liability, fine or penalty. No Company Employee Plan is being audited or investigated by any government agency or is subject to any pending or, to the Knowledge of the Company, threatened claim or suit. Neither the Company, any Subsidiary nor, to the Knowledge of the Company, any fiduciary of any Company Employee Plan has engaged in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code that would reasonably be expected to result in material liability to the Company or any Subsidiary. Except as required by Legal Requirement, or as disclosed in Part 2.15(d) of the Disclosure Schedule, no condition exists that would prevent the Surviving Corporation, its Subsidiaries, Purchaser or Parent from terminating or amending any Company Employee Plan at any time for any reason without liability to the Surviving Corporation or its Subsidiaries (other than ordinary administration expenses or routine claims for benefits). There are no circumstances which would permit a financial support direction or contribution notice (as defined in sections 38 and 43 of the UK Pensions Act 2004) to be made against the Company or any Subsidiary.

(e) Part 2.15(e) of the Disclosure Schedule sets forth a complete and accurate list of all officers, employees ("**Employees**") and paid consultants of the Company and each Subsidiary (together with officers and Employees, "**Service Providers**"), including names, positions and dates of employment or retention, and correctly reflects their annual base salaries, pension contributions or any other compensation payable to them (including compensation payable pursuant to bonus, overtime, vacation, deferred compensation, change of control payments, annual target bonus opportunity or commission arrangements), all of such amounts are pursuant to the Company Employee Plans or applicable Legal Requirements and such amounts have been paid in full to date or have been accrued for on the Closing Balance Sheet.

(f) With respect to each Company Employee Plan, the Company has provided or made available to Purchaser, to the extent applicable, correct and complete fully executed copies of (i) the plan document (and all amendments thereto) or a written description of the terms of any unwritten Company Employee Plan; (ii) the most recent Internal Revenue Service determination or opinion letter; (iii) the most recently filed Form 5500 annual report and all attachments and schedules thereto; (iv) any trust agreement; (v) any material communications with the Internal Revenue Service, Department of Labor or other Governmental Body and (vi) the most recent summary plan description (and all summaries of material modification thereto).

(g) Neither the Company nor any Subsidiary has made any written, or to the Knowledge of the Company, oral, promises or commitments to, or otherwise taken any action that would have the effect of, creating any new Company Employee Plan, or materially increasing the benefits under or materially changing any Company Employee Plan, other than as required by applicable Legal Requirements. No past employee of the Company or any Subsidiary has a right to return to work or to be reinstated or re-engaged. No Employee of the Company or any Subsidiary has been dismissed or has given or received notice terminating employment in the six (6) month period ending on the date hereof.

(h) Neither the Company nor any Subsidiary has any material liability with respect to any misclassification of any Person as an independent contractor or consultant rather than an employee.

(i) All payments required to be made to or with respect to any Company Employee Plan, including, without limitation, employee contributions and insurance premiums, have been timely made and will be timely made as of the Closing Date, and, to the extent not yet due, have been accrued in accordance with GAAP. All benefits under Company Employee Plans are properly accrued in accordance with GAAP on the financial statements of the Company and all Subsidiaries.

(j) Each Company Employee Plan intended to qualify under Section 401(a) of the Code, and the trust maintained pursuant thereto is the subject of a favorable determination, opinion or advisory letter from the Internal Revenue Service. To the Knowledge of the Company, no act or omission has occurred with respect to any such Company Employee Plan that would reasonably be expected to cause the loss of such qualification or exemption, materially increase the cost of any such Company Employee Plan, or result in the imposition on the Company, any Subsidiary or any ERISA Affiliate of any material liability, Lien, penalty, or Tax under ERISA, the Code, or other applicable Law.

(k) Neither the Company, any Subsidiary nor, to the Knowledge of the Company, the Service Providers are in material violation of any term of any employment, consulting, independent contractor, non-disclosure, non-competition, inventions assignment or any other Contract relating to the relationship of such Service Provider with the Company or any Subsidiary and there is no outstanding claim by any Service Provider that the Company or any Subsidiary is in any such material violation. Neither the execution, delivery or performance of this Agreement, nor the consummation of the Merger, will result in any payment or other benefit (including any bonus, golden parachute or severance payment) to any current or former Service Provider (whether or not under any benefit plan), or increase the benefits payable under any Company Employee Plan, or result in any acceleration of the time of payment or vesting of any such benefits.

(l) Neither the Company nor any Subsidiary is bound by or subject to (and none of its assets or properties is bound by or subject to) any written or oral, express or implied, contract, commitment or arrangement with any labor union, and no labor union has requested or has sought to represent any of the employees of the Company or any Subsidiary; and no works council was elected by German employees with respect to any Subsidiary and no collective agreements with works councils ("works agreements" – *Betriebsvereinbarungen*) apply. There is no strike or other labor dispute involving the Company or any Subsidiary pending, or to the Knowledge of the Company threatened, nor is the Company or any Subsidiary aware of any labor organization activity involving its Employees. Except as set forth in Part 2.15(b) of the Disclosure Schedule, the employment of each officer and Employee of the Company or any Subsidiary is terminable at the will of the Company or Subsidiary, as applicable, upon not more than thirty (30) days' prior notice.

(m) The Company has complied in all material respects with all applicable state, federal and other equal employment opportunity Laws, immigration Laws and with all other Legal Requirements related to employment of employees, employment practices, and the retention of other service providers. To the Company's Knowledge, no Employee of the Company or Subsidiary is in material violation of any term of any employment contract, proprietary information agreement or other agreement relating to the right of any such individual to be employed by the Company or any Subsidiary, and to the Company's Knowledge, the continued employment by the Company or Subsidiary, as applicable, of its present Employees will not result in such violation. Neither the Company nor any Subsidiary has received any written, or to the Knowledge of the Company, oral notice alleging that any such violation has occurred.

(n) To the Knowledge of the Company, each officer of the Company or any Subsidiary, Key Employee or any Employee of the Company or any Subsidiary with an annual compensation equal to or greater than $200,000 (together, the "**High Level Employees**") is currently devoting substantially all of his or her business time to the conduct of the business of the Company or any Subsidiary, as applicable. To the Knowledge of the Company, no High Level Employee is planning to work less than full time at the Company or Subsidiary, as applicable, prior to or immediately following the Closing. To the Knowledge of the Company, no High Level Employee is currently working or, to the Company's Knowledge, plans to work for a competitive enterprise, whether or not such High Level Employee is or will be compensated by such enterprise.

(o) Each Company Employee Plan that provides for nonqualified deferred compensation within the meaning of Section 409A of the Code and applicable administrative guidance complies in all material respects with Section 409A in form, operation and substance. No Service Provider is party to a contract with the Company or any of its Subsidiaries whereby such individual is entitled to a tax gross-up or reimbursement for tax liabilities under either Section 4999 or Section 409A of the Code.

(p) Solely with respect to employees of the Company and the Subsidiaries who reside or work in Israel or whose employment or engagement is otherwise subject to the Law of the State of Israel ("**Israeli Employees**"): (i) the Israeli Subsidiary is not a party to any collective bargaining Contract, collective labor agreement or other Contract or arrangement with a labor union, trade union or other organization or body involving any of its Israeli Employees, the Israeli Subsidiary has not recognized or received a demand for recognition from any collective bargaining representative with respect to any of its Israeli Employees, and the Israeli Subsidiary is not subject to, and no Israeli Employee of the Company or any Subsidiary benefits from, any extension order (*tzavei harchava*) (except for extension orders which generally apply to all employees in Israel and to extension orders that apply to high tech companies as set forth in Part 2.15(p) of the Disclosure Schedule or any contract or arrangement with respect to employment or termination thereof) and none of the Israeli Employees is represented by any labor organization, and, to the Company's Knowledge, there are no activities or proceedings of any labor or trade union or any employee or group of employees of the Company or any of its Subsidiaries to organize any such Israeli Employees, (ii) all of the Israeli Employees are subject to the termination notice provisions included in their respective employment agreements or under applicable Israeli Laws and no Israeli Employee is entitled to prior notice longer than 30 days, (iii) the Company has furnished to Purchaser's counsel the total number of individuals employed by it in Israel, annual base salary or wages or hourly wage rate, commission arrangements, overtime arrangements, vacation entitlement and accrued vacation or paid time-off balance, travel pay or car maintenance or car entitlement, sick leave entitlement and accrual, recuperation pay entitlement and accrual, entitlement to pension arrangement and/or any other provident fund (including manager's insurance and education fund), contribution rates, each such person's position or function, full-time or part-time status, date of hire, any incentive or bonus arrangement with respect to such person and a description of any oral employment Contract with its employees (except where the disclosure of such information would be prohibited by applicable Law relating to data privacy/protection without the individual's consent), including by way of custom and practice, (iv) the Israeli Subsidiary's obligations to provide statutory severance pay to its Israeli Employees pursuant to the Israeli Severance Pay Law-1963 and vacation pursuant to the Israeli Annual Leave Law-1951 and any personal employment agreement have been satisfied or have been fully funded by contributions to appropriate insurance funds or accrued on the Company's financial statements and the Israeli Subsidiary applies the provisions of Section 14 of the Israeli Severance Pay Law-1963 with respect to such statutory severance pay, and (v) the Israeli Subsidiary is in compliance in all material respects with all applicable Israeli labor Laws and outstanding employment agreement with its Israeli Employees relating to employment, employment practices, wages, bonuses and other compensation matters and terms and conditions of employment related to its Israeli Employees, including the Advance Notice of Discharge and Resignation Law-2001, the Notice to Employee (Terms of Employment) Law-2002, the Prevention of Sexual Harassment Law-1998, the Increased Enforcement of Labor Laws-2011, the Wage Protection Law-1958, the Hours of Work and Rest Law-1951, and is not, nor has not, engaged in any unfair labor practice, as defined under applicable Legal Requirement, and the Employment of Employee by Manpower Contractors Law-1996. "Israeli Employee" shall not include consultants, sales agents and other independent contractors. All amounts that the Israeli Subsidiary is legally or contractually required either (x) to deduct from their Israeli Employees' salaries or to transfer to such Israeli Employees' pension or provident, life insurance, incapacity insurance, continuing education fund or other similar funds or (y) to withhold from their Israeli Employees' salaries and benefits and to pay to any Governmental Body as required by the Israeli Income Tax Ordinance [New Version], 1961, as amended, and the rules and regulations promulgated thereunder (the "**Ordinance**") and Israeli National Insurance Law have, in each case, been duly deducted, transferred, withheld and paid (other than routine payments, deductions or withholdings to be timely made in the normal course of business and consistent with past practice), and the Israeli Subsidiary does not have any outstanding obligations to make any such deduction, transfer, withholding or payment (other than such that has not yet become due). The Israeli Subsidiary has not engaged any consultants, sub-contractors, sales agents or freelancers who, according to Israeli Law, would be entitled to the rights of an employee of the Israeli Subsidiary, including rights to severance pay, vacation, recuperation pay (*dmei havraa*) and other employee-related statutory and contractual benefits. Except for the Israeli Subsidiary, none of the Company or the other Subsidiaries hired or hires any employees who at the time of employment in the Company or the applicable Subsidiary (other than the Israeli Subsidiary) permanently reside or work in Israel. The Company or the other Subsidiaries do not engage youth or foreign employees in Israel. The Company has furnished to Purchaser (i) true, correct and complete copies of (A)(i) all currently valid agreements with Israeli Employees, Israeli human resource contractors, manpower contractors including their licenses or with Israeli consultants, sub-contractors or freelancers; (ii) all currently valid manuals and written policies relating to the employment of Israeli Employees; and (B)(i) a correct and complete summary of all unwritten policies, procedures and the Company's customs regarding employment and termination of Israeli Employees, including any kind of cash based components which are not included in the basis for calculation of amounts set aside for purposes of statutory severance pay and pension; and (ii) an accurate summary of any dues any Subsidiary pays to the Histadrut Labor Organization and whether the Company or any Subsidiary participates in the expenses of any workers committee (*Va'ad Ovdim*).

2.16 Environmental Matters. The Company and each Subsidiary is in compliance in all material respects with all applicable Environmental Laws, which compliance includes the possession by the Company or any Subsidiary of all Governmental Authorizations required under applicable Environmental Laws, and compliance with the terms and conditions thereof. Neither the Company nor any Subsidiary has received any written, or to the Knowledge of the Company, oral, notice or other written, or to the Knowledge of the Company, oral, communication, whether from a Governmental Body, citizens group, employee or otherwise, that alleges that the Company or any Subsidiary is not in compliance with any Environmental Law, and, to the Company's Knowledge, there are no circumstances that may prevent or interfere with the Company's or any Subsidiary's compliance with any Environmental Law in the future. To the Company's Knowledge, no current or prior owner of any property leased or controlled by the Company or any Subsidiary has received any written, or to the Knowledge of the Company, oral, notice or other written, or to the Knowledge of the Company, oral, communication, whether from a Governmental Body, citizens group, employee or otherwise, that alleges that such current or prior owner or the Company or any Subsidiary is not in compliance with any Environmental Law with respect to such property. All Governmental Authorizations currently held by the Company or any Subsidiary pursuant to Environmental Laws are identified in Part 2.16 of the Disclosure Schedule. For purposes of this Section 2.16: (i) "**Environmental Law**" means any Legal Requirement relating to pollution, hazardous materials or protection of human health or the environment (including ambient air, surface water, ground water, land surface or subsurface strata), including any Legal Requirements relating to emissions, discharges, releases or threatened releases of Materials of Environmental Concern, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Materials of Environmental Concern; and (ii) "**Materials of Environmental Concern**" include chemicals, pollutants, contaminants, wastes, toxic substances, petroleum and petroleum products and any other substance that is now regulated by any Environmental Law or that is otherwise a danger to health, reproduction or the environment.

2.17 Insurance.

(a) The Company and its Subsidiaries have in full force and effect appropriate insurance policies with coverages customary for business entities of similar size engaged in similar lines of business and as required by applicable Law. Part 2.17(a) of the Disclosure Schedule lists all insurance policies (each a "**Policy**" and collectively, the "**Policies**") held by or on behalf of the Company or any Subsidiary, including the names of the brokers, insurers, the principal insured and each named insured or beneficiary, the Policy number and period of coverage, the type of interest and asset covered by the insurance Policy. The Policies include all policies of insurance that are required by Contracts relating to the Company or any Subsidiary, in the amounts required under the respective Contracts.

(b) The Policies are in full force and effect and neither the Company nor any of its Subsidiaries is in default with respect to its obligations under any such Policies. All premiums due and payable under the Policies have been paid, and neither the Company nor any of its Subsidiaries has any liability for any retrospective premium adjustment, audit premium adjustment, experience based liability or loss sharing cost adjustment under any of the Policies. No written notice of cancellation or termination of any of the Policies has been received and is still in force with respect to any of the Policies. The Policies will remain in full force and effect and will not in any way be affected by or terminate by reason of the Merger or any of the other transactions contemplated by the Transaction Documents. The Company has provided Purchaser with copies all such Policies.

(c) Neither the Company nor any Subsidiary has suffered any damage which has rendered or would reasonably be expected to render any Policies of insurance taken out by it void or voidable or, to the Knowledge of the Company, refusal of the insurer to renew them under customary terms and conditions, and the Company and each Subsidiary have complied with all conditions attached to such Policies.

(d) There is no claim outstanding under any of such Policies nor, to the Company's Knowledge, are there any circumstances likely to give rise to such a claim.

(e) Since January 1, 2013, there has been no claim by the Company or any of its Subsidiaries under any of such Policies as to which coverage has been denied or, to the Knowledge of the Company, questioned or disputed by the issuers or underwriters of any of the Policies.

(f) The Company has not received any written, or to the Knowledge of the Company, oral, notice regarding any (i) cancellation or invalidation of any Policy or (ii) material adjustment in the amount of premiums payable with respect to any Policy.

2.18 Related Party Transactions. (a) No Related Party has and to the Knowledge of the Company no Extended Family Member has, and no Related Party has at any time had and to the Knowledge of the Company no Extended Family Member has any time had, any direct or to the Company's Knowledge, indirect interest in any material asset used in the business of the Company or any Subsidiary; (b) no Related Party is and to the Knowledge of the Company no Extended Family Member is, or has at any time since January 1, 2013 been, indebted to the Company or any Subsidiary and neither the Company nor any Subsidiary is, or has at any time since January 1, 2013 been, indebted to a Related Party or, to the Knowledge of the Company, an Extended Family Member; (c) no Related Party has entered into and to the Knowledge of the Company no Extended Family Member has entered into, or has had any direct or to the Company's Knowledge, indirect financial interest in, any Material Agreement, transaction or business dealing involving the Company or any Subsidiary (other than arrangements related to employment entered into in the ordinary course of business consistent with past practice); (d) no Related Party, and to the Knowledge of the Company no Extended Family Member, is competing or has any time competed directly or, to the Knowledge of the Company, indirectly, with the Company or any Subsidiary and to the Company's Knowledge, no Related Party or Extended Family Member, has any direct or indirect ownership interest in any firm or corporation with which the Company or any Subsidiary is affiliated or with which the Company or any Subsidiary have a business relationship, or any firm or corporation which competes with the Company or any Subsidiary; and (e) no Related Party, and to the Knowledge of the Company no Extended Family Member, has any claim or right against the Company or any Subsidiary (including indemnification agreements but excluding rights to receive compensation for services performed as a Service Provider of the Company as set forth in Section 2.15). For purposes of this Section 2.18 each of the following shall be deemed to be a "**Related Party**": (i) each Person that, directly or indirectly, controls the Company or any Subsidiary (including the Principal Stockholders); (ii) each individual who is, or who has at any time been, an officer or director of the Company or any Subsidiary or an officer, director, partner or trustee of any Person referred to in clause (i) above in the past 12 months; (iii) each Immediate Family Member of each of the individuals referred to in clauses "(i)" and "(ii)" above; (iv) any trust or other Entity (other than the Company or any Subsidiary) in which any one of the individuals referred to in clauses "(ii)" and "(iii)" above holds (or in which more than one of such individuals collectively hold), beneficially or otherwise, a material voting, proprietary or equity interest and (v) any Person that owns 2% or more of the Company's outstanding capital stock or has the right to appoint at least one director of the Company or any Subsidiary. For purposes of this Section 2.18 "**Extended Family Member**" shall mean, with respect to a Related Party that is a natural person, any Family Member of such Related Party other than an Immediate Family Member.

2.19 Legal Proceedings; Orders.

(a) Except as set forth in Part 2.19(a) of the Disclosure Schedule, there is no pending Legal Proceeding (or any Legal Proceeding subject to appeal) and, to the Company's Knowledge, no Person has threatened to commence any Legal Proceeding: (i) that involves the Company or any Subsidiary or any of the assets owned or used by the Company or any Subsidiary or any Person whose liability the Company or any Subsidiary has or may have retained or assumed, either contractually or by operation of Law; or (ii) that questions the validity of this Agreement or the right of the Company or any Subsidiary to enter into the Agreement, or to consummate the transactions contemplated hereby, or that might result in any change in the current equity ownership of the Company or any Subsidiary.

(b) There is no order, writ, injunction, judgment or decree of any court or government agency or instrumentality of any Governmental Body, in each case relating to the Company or any Subsidiary, to which the Company or any Subsidiary, or any of the assets owned or used by the Company or any Subsidiary, is subject. To the Company's Knowledge, no Service Provider is subject to any order, writ, injunction, judgment or decree of any court or government agency or instrumentality of any Governmental Body, in each case relating to the Company or any Subsidiary, that prohibits such Service Provider from engaging in or continuing any conduct, activity or practice relating to the Company's or any Subsidiary's business.

(c) The Company has provided Purchaser with all material documentation (including settlement agreements) and all material public filings relating to any Legal Proceedings, cease-and-desist letters or other material legal claim involving the Company or any Subsidiary since January 1, 2013. Part 2.19(c) of the Disclosure Schedule sets forth a list of all Legal Proceedings, cease-and-desist letters and other material legal claims involving the Company or any Subsidiary since January 1, 2013. The Company and each Subsidiary have made the changes requested in the cease-and-desist letters set forth on Part 2.19(c) of the Disclosure Schedule to the extent required by applicable Legal Requirements.

2.20 Authority; Binding Nature of Agreement.

(a) The Company has the requisite corporate power and authority to enter into and, subject to receipt of the Stockholders Written Consent, to perform its obligations under this Agreement and other agreements to which it is party contemplated hereby or which are ancillary hereto and to consummate the transactions contemplated hereby and thereby; and the execution, delivery and performance by the Company of this Agreement and all the other transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of the Company. This Agreement constitutes the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, subject to (i) Laws of general application relating to bankruptcy, insolvency and the relief of debtors, and (ii) rules of Law governing specific performance, injunctive relief and other equitable remedies.

(b) Without limiting the generality of the foregoing, the Company Board has (i) unanimously approved and declared advisable this Agreement, the Merger and the other transactions contemplated hereby, (ii) unanimously recommended approval and adoption of this Agreement, the Merger and the other transactions contemplated hereby by the Stockholders, and (iii) has not withdrawn or modified such approval or recommendation. Subject to receipt of the Stockholders Written Consent and payoff of Indebtedness, the Company has obtained all necessary consents to approve this Agreement and the consummation of the Merger and the other transactions contemplated by the Transaction Documents from any Warrantholder, Optionholder, Stockholder or creditor of the Company.

(c) The approval of the holders of a majority of the outstanding Shares voting together as a single class on an as-converted basis and the approval of a majority of the outstanding Preferred Shares voting together as a single class on an as-converted basis (together, the "**Required Vote**") is the only stockholder vote necessary to approve and adopt this Agreement and the Merger on behalf of the Company. The Stockholders Written Consent, when executed and delivered by the Required Vote, will satisfy all requirements for consents, votes or approvals by the holders of any classes or series of Company Capital Stock necessary to approve and adopt, and consummate, this Agreement, the Merger and the other transactions contemplated hereby in accordance with the Charter Documents and applicable Legal Requirements.

2.21 Non-Contravention; Consents. Neither (1) the execution, delivery nor performance of this Agreement or any of the other agreements referred to in this Agreement, nor (2) the consummation of the Merger, will (with or without notice or lapse of time):

(a) contravene, conflict with or result in a violation of any of the provisions of (i) the Charter Documents, (ii) the charter and organizational documents of each of the Subsidiaries, including all amendments thereto, or (iii) any resolution adopted by the Company's stockholders, the Company Board, the Subsidiary Board or any committee thereof;

(b) contravene, conflict with or result in a violation of, or give any Governmental Body or other Person the right to challenge any of the transactions contemplated by the Transaction Documents or to exercise any remedy or obtain any relief under, any Legal Requirement or any order, writ, injunction, judgment or decree to which the Company, any Subsidiary, or any of the assets owned or used by the Company or any Subsidiary, is subject;

(c) contravene, conflict with or result in a violation of any of the terms or requirements of, or give any Governmental Body the right to revoke, withdraw, suspend, cancel, terminate or modify, any Governmental Authorization that is held by the Company or any Subsidiary or that otherwise relates to the Company's or any Subsidiary's business or to any of the assets owned or used by the Company or any Subsidiary;

(d) contravene, conflict with or result in a violation or breach of, or result in a default under, any provision of any Material Agreement, or give any Person the right to (i) declare a default or exercise any remedy under any such Material Agreement, (ii) accelerate the maturity or performance of any such Material Agreement, (iii) cancel, terminate or modify any such Material Agreement, or (iv) receive notice of the transaction prior to the Closing; or

(e) result in the imposition or creation of any Lien or other Encumbrance upon or with respect to any asset owned or used by the Company or any Subsidiary other than any Lien or other Encumbrance resulting from Purchaser and/or Parent's financing of the Merger.

(f) Except as set forth in Part 2.21(f) of the Disclosure Schedule, neither the Company nor any Subsidiary will be required to make any filing or registration with or give any notice to, or to obtain any Consent from, any Governmental Authority in connection with (x) the execution, delivery or performance of this Agreement or any of the other agreements referred to in this Agreement, or (y) the consummation of the Merger.

2.22 Brokers. No broker, finder or investment banker, for which the Company, any Subsidiary, Parent, Purchaser or Merger Sub may be liable, is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by the Transaction Documents based upon arrangements made by or on behalf of the Company or any Subsidiary or any of its directors, officers, employees or agents.

2.23 Absence of Certain Business Practices. Neither the Company nor any Subsidiary has and, to the Knowledge of the Company no agent, employee or other Person while acting on behalf of the Company or any Subsidiary (in his or her capacity as an employee of the Company or any Subsidiary) has directly or indirectly: (i) made any unlawful contributions, gifts, entertainment or other unlawful expenses relating to political activity and related to the Company's or any Subsidiary's business; (ii) made any unlawful payment to any foreign or domestic government official or employee, foreign or domestic political parties or campaigns, official of any public international organization, or official of any state-owned enterprise; (iii) violated any provision of the Foreign Corrupt Practices Act-1977, as amended, Title 5 of the Israeli Penalty Law (Bribery Transactions), the Israeli Prohibition on Money Laundering Law-2000, the UK Bribery Act of 2010, as amended, or any other applicable anti-corruption statute; (iv) made any unlawful bribe, favor, payoff, influence payment, kickback, anything of value or other similar unlawful payment; or (v) established or maintained any unlawful fund of the Company's or Subsidiary's moneys, or other assets, for the purpose of obtaining or paying for: (A) favorable treatment in securing business or (B) any other special concession; or (vi) agreed, committed, offered or attempted to take any of the actions described in clauses (i) through (v) above.

2.24 Suppliers, Agencies and Publishers.

(a) Part 2.24(a) of the of the Disclosure Schedule sets forth an accurate and complete list of (i) the thirty (30) largest suppliers and vendors by expenditures (the "**Key Vendors**") for 2015 determined as of the close of business on November 16, 2015, (ii) the thirty (30) largest agencies by revenues (the "**Key Agencies**") for 2015 determined as of the close of business on October 31, 2015 and (iii) the thirty (30) largest publishers by revenues (the "**Key Publishers**", and together with the Key Vendors and Key Agencies, the "**Key Parties**") for 2015 determined as of the close of business on November 16, 2015. None of the Key Parties has canceled, terminated, or otherwise materially altered their relationship with the Company or any Subsidiary or notified the Company or any Subsidiary in writing (nor does the Company have any Knowledge) of any intent to discontinue or alter in any manner materially adverse to the Company or any Subsidiary the terms of such Key Party's relationship with the Company or any Subsidiary.

(b) Part 2.10(a)(v)(B) of the Disclosure Schedule sets forth the Forms of Key Insertion Orders. All other insertion orders that are in effect for each Key Agency are on substantially the same terms and conditions as the Form of Key Insertion Order with respect to such Key Agency. Part 2.10(a)(v)(C) of the Disclosure Schedule sets forth any Key Publisher MSA for each Key Publisher. To the extent no Key Publisher MSA is set forth in Part 2.10(a)(v)(C) of the Disclosure Schedule for any Key Publisher, all Contracts with such Key Publisher are based on purchase orders (such Key Publisher, a "**PO-Key Publisher**"). A form of purchase order for each PO-Key Publisher is set forth in Part 2.10(a)(v)(C) of the Disclosure Schedule (the "**Key Publisher Purchase Orders**"). All other purchase orders that are currently in effect for each PO-Key Publisher are on substantially the same terms and conditions as the Key Publisher Purchase Order with respect to such Key Publisher.

2.25 Disclaimer of Other Representations and Warranties. NONE OF THE COMPANY AND ITS SUBSIDIARIES, OR ANY OF THEIR RESPECTIVE REPRESENTATIVES, DIRECTORS OR OFFICERS OR ANY PARTICIPATING HOLDER, HAS MADE ANY REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, OF ANY NATURE WHATSOEVER RELATING TO THE COMPANY OR ANY OF ITS SUBSIDIARIES OR THE BUSINESS OF THE COMPANY OR ANY OF ITS SUBSIDIARIES OR OTHERWISE IN CONNECTION WITH THE TRANSACTIONS CONTEMPLATED HEREBY, OTHER THAN THOSE REPRESENTATIONS AND WARRANTIES EXPRESSLY SET FORTH IN THIS ARTICLE 2 (AS MODIFIED BY THE DISCLOSURE SCHEDULE).

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF PARENT, PURCHASER AND MERGER SUB

Parent, Purchaser and Merger Sub represent and warrant to the Company, as of the date hereof and as of the Closing Date, as follows:

3.1 Due Organization; Etc. Parent is a corporation duly organized and validly existing under the Laws of the State of Israel, Purchaser is a corporation duly organized, validly existing and in good standing under the Laws of the State of Delaware, and Merger Sub is a corporation duly organized, validly existing and in good standing under the Laws of the State of Delaware. Each of Parent, Purchaser and Merger Sub has all requisite corporate power and authority to own, lease and operate its properties and to carry on its businesses as now conducted and to enter into and perform its obligations under this Agreement.

3.2 Authority; Binding Nature of Agreement. Each of Parent, Purchaser and Merger Sub has the right, power and authority to enter into and perform its obligations under this Agreement and other agreements to which it is party contemplated hereby or which are ancillary hereto and to consummate the transactions contemplated hereby and thereby; and the execution, delivery and performance of this Agreement and the other agreements contemplated hereby by Parent, Purchaser and Merger Sub have been duly authorized by all necessary corporate action on the part of Parent, Purchaser and Merger Sub. This Agreement constitutes the legal, valid and binding obligation of Parent, Purchaser and Merger Sub, enforceable against it in accordance with its terms, subject to (i) Laws of general application relating to bankruptcy, insolvency and the relief of debtors, and (ii) rules of Law governing specific performance, injunctive relief and other equitable remedies.

3.3 Consents and Approvals. Except for (i) the filing of the Certificate of Merger as required by the DGCL and (ii) compliance with the HSR Act, if required, no filing or registration with, no notice to and no permit, authorization, consent or approval of any third party or any Governmental Body is necessary for the consummation by Parent, Purchaser and Merger Sub of the Merger.

3.4 No Violation. Neither the execution and delivery of this Agreement by Parent, Purchaser and Merger Sub, the performance by each of Parent, Purchaser and Merger Sub of its obligations hereunder nor the consummation by Parent, Purchaser and Merger Sub of the Merger will (a) violate, conflict with or result in any breach of any provision of the respective organization documents of Parent, Purchaser and Merger Sub, (b) violate, conflict with or result in a violation or breach of, or constitute a default (with or without due notice or lapse of time or both) under the terms, conditions or provisions of any mortgage, indenture, license or material agreement to which Parent, Purchaser or Merger Sub is a party or (c) violate any order, writ, judgment, injunction, decree, statute, rule or regulation of any court or domestic or foreign Governmental Body applicable to Parent, Purchaser or Merger Sub.

3.5 Legal Proceedings; Orders.

(a) There is no pending Legal Proceeding by or before any Governmental Body or by any third party which challenges the validity of this Agreement or which would be reasonably likely to adversely affect or restrict Parent's or Merger Sub's ability to consummate the transactions contemplated hereby.

(b) There is no order, writ, injunction, judgment or decree of any court or government agency or instrumentality of any Governmental Body, in each case relating to the Parent, Purchaser or any Subsidiary of Parent, to which Parent, Purchaser or any subsidiary of Purchaser , is subject that challenge or seek to prevent, enjoin or otherwise delay the transactions contemplated by this Agreement.

3.6 Brokers. No broker, finder or investment banker, for which the Company or the Stockholders may be liable, is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by the Transaction Documents based upon arrangements made by or on behalf of Parent, Purchaser or Merger Sub or any of their respective directors, officers, employees or agents.

3.7 Inspection. Each of Parent and Purchaser is an informed and sophisticated Person, and has engaged expert advisors experienced in the evaluation and acquisition of companies such as the Company and its Subsidiaries as contemplated hereunder.

3.8 Financing. Parent and Purchaser, together, will have as of the Effective Time, sufficient funds to be able to pay the full Closing Payment, the other payments to be made by Purchaser pursuant to this Agreement and any expenses incurred by Parent, Purchaser and Merger Sub in connection with the transactions contemplated by this Agreement. Parent will have, as of each applicable payment date pursuant to Sections 1.9(d), 1.9(e), 1.9(f) and 1.9(g), the amounts payable, sufficient funds to be able to pay the full amount due pursuant to Sections 1.9(d), 1.9(e), 1.9(f) and 1.9(g).

3.9 DISCLAIMER OF OTHER REPRESENTATIONS AND WARRANTIES. NONE OF THE PARENT AND ITS SUBSIDIARIES, OR ANY OF THEIR RESPECTIVE REPRESENTATIVES, DIRECTORS OR OFFICERS, HAS MADE ANY REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, OF ANY NATURE WHATSOEVER RELATING TO THE PARENT OR ANY OF ITS SUBSIDIARIES OR THE BUSINESS OF THE PARENT OR ANY OF ITS SUBSIDIARIES OR OTHERWISE IN CONNECTION WITH THE TRANSACTIONS CONTEMPLATED HEREBY, OTHER THAN THOSE REPRESENTATIONS AND WARRANTIES EXPRESSLY SET FORTH IN THIS SECTION 3.

ARTICLE IV

COMPANY HOLDERS RELEASE

Without derogating from the representations, warranties and undertakings of (i) the Company set forth in this Agreement, (ii) the Participating Holders set forth in the Support Agreements, and (iii) the Company Holders in the Letter of Transmittal, each of the Company Holders, severally and not jointly, who accepts payment for his, her or its portion of the Merger Consideration upon conversion of the share(s) of Company Capital Stock formerly represented by certificate(s) (or an affidavit of loss pursuant to Section 1.9(b) hereof), which immediately prior to the Effective Time represented shares of Company Capital Stock, shall be deemed to have made the following representations, waivers and releases:

4.1 Waiver and Release.

(a) Effective for all purposes, such Company Holder, on behalf of itself and each of its agents, trustees, beneficiaries, directors, officers, affiliates, subsidiaries, estate, successors and assigns (each, a "**Releasing Party**"), hereby releases, acquits and forever discharges the Company and its Subsidiaries and any and all of their respective officers, directors, agents, servants, employees, attorneys, representatives, shareholders, beneficiaries, successors, and assigns (collectively referred to as the "**Released Parties**") from any and all Damages, and whether or not the Released Parties and/or any of them are at fault, that such Company Holder had, now has, may have at any time in the future, or claims to have or have had, from any time through and including the Closing, as a result of, concerning, arising from or with respect to the Company Capital Stock, Company Stock Options or Company Warrants, or such Company Holder's sale thereof or such Company Holder's employment with the Company and its Subsidiaries, as applicable; provided that the foregoing release shall not cover claims (i) pursuant to or in connection with this Agreement or any other agreement entered into in connection with the transactions contemplated hereby, (ii) under any obligations with respect to the indemnification or exculpation of, or advancement of expenses to, such Company Holder under the Charter Documents or the charter and organizational documents of any of the Company's Subsidiaries, indemnification agreements, and directors' and officers' liability insurance policies, (iii) for accrued but unpaid compensation and business-related expenses, each as incurred in the ordinary course of business consistent with past practice, or (iv) arising from any commercial relationship such Company Holder has with any of the Released Parties.

(b) Anything to the contrary notwithstanding: (i) the foregoing release is conditioned upon the consummation of the Merger and shall become null and void, and shall have no effect whatsoever, without any action on the part of any Person, upon termination of this Agreement in accordance with its terms; and (ii) should any provision of this release be found, held, declared, determined, or deemed by any court of competent jurisdiction to be void, illegal, invalid or unenforceable under any applicable statute or controlling law, the legality, validity, and enforceability of the remaining provisions will not be affected and the illegal, invalid, or unenforceable provision will be deemed not to be a part of the foregoing release.

(c) Such Company Holder hereby acknowledges that in certain jurisdictions:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

To the fullest extent permitted by applicable Legal Requirements, such Company Holder waives and relinquishes any rights and benefits which such Company Holder may have under such statutes or common law principle of any jurisdiction. Such Company Holder acknowledges that such Company Holder may hereafter discover facts in addition to or different from those which such Company Holder now knows or believes to be true with respect to the subject matter of this release, but it is such Company Holder's intention to fully and finally and forever settle and release any and all matters, disputes and differences, known or unknown, suspected and unsuspected, which do now exist or may exist or heretofore have existed between any the Released Parties and such Company Holder with respect to the subject matter of this release. In furtherance of this intention, the releases herein shall be and remain in effect as full and complete general releases notwithstanding the discovery or existence of any such additional or different facts.

ARTICLE V

COVENANTS OF THE PARTIES

5.1 Closing Spreadsheet. The Company has prepared and delivered to Purchaser and the Paying Agent, a spreadsheet (the "**Closing Spreadsheet**") in a form reasonably acceptable to Purchaser, dated as of the date hereof, setting forth all of the following information (in addition to the other data and information reasonably requested by the Paying Agent), as of the Closing Date and immediately prior to the Closing: (a) the names and, to the extent known, email addresses of all the Stockholders, Warrantholders and Optionholders; (b) the number and class of Shares held by, or subject to Company Warrants or the Company Stock Options held by, such Persons and, in the case of outstanding Shares, the respective certificate numbers; (c) the exercise price per share of each Company Stock Option, whether such Company Stock Option is an incentive stock option (as defined in the Code) or a non-qualified stock option, and with respect to Options granted to Israeli taxpayers whether such Option was granted under Section 3(i) or Section 102, and whether the Optionholder is an employee of the Company or any Subsidiary and indicating which one; (d) the exercise price per share and expiration date for each Company Warrant; (e) the Preferred Amount, the Common Amount, the Net Value for each In-the-Money Option and the Net Value for each In-the-Money Warrant, each determined as of the Closing Date prior to any adjustments that may be made pursuant to this Agreement; (f) the Share Consideration Fraction of each Shareholder; (g) the Securities Consideration Fraction of each Shareholder, Optionholder and Warrantholder; (h) the Preferred Closing Payment Amount and Common Closing Payment Amount distributable to each Shareholder; (i) the Option Closing Payment Amount distributable to each Optionholder; (j) the Warrant Closing Payment Amount distributable to each Warrantholder; (k) each Participating Stockholder's pro rata share of the Holdback Amount, expressed as a dollar amount; (l) each Participating Stockholder's pro rata share of the Representative Fund, expressed as a dollar amount; and (m) the Total Share Amount, the Total Convertible Securities Amount and the Merger Consideration (in each case, prior to any adjustments in accordance with this Agreement).

5.2 Indemnification and Insurance.

(a) From and after the Closing, the Surviving Corporation shall fulfill and honor in all respects its obligations pursuant to any indemnification agreements between the Company and its current and former directors and officers as of the Closing that are set forth in Part 2.18 of the Disclosure Schedule and any indemnification provisions under the Charter Documents as in effect on the Closing Date, in each case, subject to applicable Legal Requirements.

(b) Notwithstanding anything in this Section 5.2 to the contrary, no Person shall be entitled to indemnification pursuant to this Section 5.2 for any matter involving fraud in connection with this Agreement or the transactions contemplated thereby.

(c) The Company has purchased a "tail" directors' and officers' insurance policy to go into effect upon the Effective Time. The cost of such policy, and any related professional fees, shall be considered Transaction Costs for purposes of this Agreement.

5.3 Stockholders Written Consent; Notice to Stockholders. A notice to Stockholders relating to this Agreement, the Merger and the transactions contemplated hereby is attached as Exhibit J hereto (the "**Stockholders' Notice**"), which includes the unanimous recommendation of the Company Board in favor of this Agreement and the Merger and the conclusion of the Company Board that the transactions contemplated hereby are advisable and in the best interests of the Company Holders. Promptly after the date hereof, the Company shall deliver (in any manner permitted by applicable Legal Requirements) the Stockholders' Notice (and notice of receipt of the Stockholders Written Consent, together with the notice of dissenters' rights required pursuant to the DGCL) to each Company Holder who has not executed and delivered to the Company heretofore an executed copy of the Stockholders Written Consent. Thereafter, subject to Section 1.11, the Company shall deliver by any manner permitted by the DGCL any subsequent notice required to be delivered with respect to Dissenting Shares pursuant to the DGCL. The Company shall promptly advise Parent and Purchaser, and Parent and Purchaser shall promptly advise the Company, in writing, if at any time prior to the Effective Time either of them, as applicable, shall obtain knowledge of any fact that might make it necessary or appropriate to amend or supplement the Stockholders' Notice in order to comply with applicable Legal Requirements.

5.4 Books and Records. Parent and Purchaser shall, and shall cause the Surviving Corporation and each Subsidiary to, until the earlier of (i) sixty (60) days after the expiration of all applicable statutes or periods of limitations and (ii) the seventh (7th) anniversary of the Closing Date, retain all books, records and other documents with respect to Tax matters pertinent to the Surviving Corporation and its Subsidiaries in their possession on the Closing Date and to make the same available for inspection and copying by the Participating Holders as of immediately prior to the Effective Time or any of the representatives of such Participating Holders (including the Stockholders' Representative) at the expense of such Participating Holders during the normal business hours of the Surviving Corporation or such Subsidiary, as applicable, upon reasonable request and upon reasonable notice and for commercially reasonable purposes related solely to such Person's status as a former stockholder of the Company, including with respect to the preparation of Tax Returns or audit, assessment or reassessment by any Taxing Authority.

5.5 Certain Covenants of Parent. From the Closing Date until the payment of all amounts due to the Participating Stockholders pursuant to Section 1.9(f), Parent shall not, directly or indirectly, by amendment, merger, consolidation or otherwise, enter into, incur or permit to exist any agreement that prohibits, restricts, delays or imposes any condition upon the ability of Parent to make any of the payments required by Parent pursuant to any of Sections 1.9(d), 1.9(e), 1.9(f) and 1.9(g), or permit any subsidiary of Parent to incur or permit to exist any agreement that prohibits, restricts or imposes, or which would have an adverse effect on the ability of Parent to make any of the payments required by Parent pursuant to any of Sections 1.9(d), 1.9(e), 1.9(f) and 1.9(g). For the avoidance of doubt, the parties hereto agree that Indebtedness, restrictions and any other limitations incurred by Parent or any of its subsidiaries in connection with the Senior Credit Facility (as in effect as of the Closing) shall not violate this Section 5.5.

ARTICLE VI

CONDITIONS PRECEDENT TO OBLIGATIONS OF PARENT AND PURCHASER

The obligations of Parent and/or Purchaser, as applicable, to consummate the transactions contemplated by the Transaction Documents are subject to the satisfaction, at or prior to the Closing, of each of the following conditions, any or all of which may be waived in writing by Parent or Purchaser, as applicable:

6.1 Performance of Covenants. All of the covenants and obligations that the Company and/or any Subsidiary is required to comply with or to perform at or prior to or at the Closing shall have been complied with and performed in all material respects.

6.2 Agreements and Documents. Purchaser shall have received the following agreements and documents, each of which shall be in full force and effect:

(a) a certificate executed by the Chief Executive Officer and Chief Financial Officer of the Company which certifies (i) that the conditions relating to the Company and/or any Subsidiary set forth in Section 6.1 have been duly satisfied; and (ii) the effectiveness of any board resolutions of the Company and its Subsidiaries, the Stockholders Written Consent and any other resolutions of the Stockholders passed in connection with this Agreement and transactions contemplated hereby;

(b) the Closing Spreadsheet and a certificate executed by the Chief Executive Officer of the Company dated as of the Closing Date, certifying that such Closing Spreadsheet is true, correct and complete in all material respects;

(c) the Company NWCC&D Certificate, which certificate shall be accompanied by such supporting documentation, information and calculations as are reasonably necessary for Purchaser to verify and determine the amount of Company NWCC&D;

(d) the Transaction Costs Certificate, which certificate shall be accompanied by such supporting documentation, information and calculations as are reasonably necessary for Purchaser to verify and determine the Transaction Cost Amount;

(e) (i) a good standing certificate of the Company, dated no earlier than November 19, 2015, issued by the Secretary of State of the State of Delaware, certifying that the Company is in good standing and that all applicable franchise Taxes and fees of the Company through and including the Closing Date have been paid; (ii) a good standing certificate of each Subsidiary (other than the Israeli Subsidiary and the German Subsidiary) under the laws of the jurisdiction of organization of the applicable Subsidiary, dated within ten days of the Closing Date, issued by the Governmental Body authorized to issue such a certificate in the jurisdiction of organization of the applicable Subsidiary; (iii) the stock ledger of the Company; (iv) all of the books and records of the Company and each Subsidiary; and (v) such other customary documents, instruments or certificates as shall be reasonably requested by Parent and as shall be consistent with the terms of this Agreement;

(f) the Paying Agent Agreement, executed by the Stockholders' Representative;

(g) (i) a notice dated as of the Closing Date and executed by the Company, in accordance with the requirements of Treasury Regulation Section 1.897-2(h)(2), in substantially the form attached hereto as Exhibit K, together with written authorization for Purchaser, as agent for the Company, to deliver such notice to the IRS on behalf of the Company after the Closing, and (ii) a certificate dated as of the Closing Date and executed by the Company, in accordance with Treasury Regulation Sections 1.897-2(h) and 1.1445-2(c)(3), in substantially the form attached hereto as Exhibit L;

(h) Parent shall have received (i) a properly executed statement satisfying the requirements of Treasury Regulations Sections 1.897-2(h) and 1.1445-2(c)(3), dated no more than thirty (30) days prior to the Closing Date, signed by an officer of the Company and in form and substance reasonably satisfactory to Parent, certifying that interests in the Company do not constitute "United States real property interests" under Section 897(c) of the Code, and (ii) as agent for the Company, a form of notice to the IRS satisfying the requirements of Treasury Regulations Section 1.897-2(h)(2), together with written authorization for Parent to deliver such notice to the IRS on behalf of the Company following the Effective Time; and

(i) written resignations of all directors and officers of each Subsidiary, effective as of the Closing Date, or certified resolutions of the applicable corporate organs removing the directors and officers and appointing directors and officers designated by Purchaser effective as of the Effective Time.

6.3 Convertible Securities. Immediately prior to the Effective Time, all Company Warrants and Company Stock Options shall have been duly terminated or canceled in accordance with their terms. Except for the Shares set forth in the Closing Spreadsheet, as of the Closing, there shall be no outstanding shares, options, warrants, notes or other rights to subscribe for, purchase or acquire any securities of the Company or any Subsidiary, other than the securities of the Subsidiaries held by the Company.

6.4 Governmental Approvals. The waiting period under the HSR Act shall have expired.

6.5 Consenting Stockholders. (a) Stockholders representing at least ninety (90%) of the outstanding shares of Company Capital Stock voting together as a single class and on an as-converted basis (which majority includes holders of at least ninety five percent (95)% of the outstanding shares of Preferred Stock on an as-converted basis) shall have executed the Stockholders Written Consent in accordance with the DGCL, the Certificate of Incorporation of the Company and the Bylaws of the Company, a copy of which shall have been delivered to Parent and such consent shall be in full force and effect and shall not have been rescinded; and (b) the Principal Stockholders shall have executed their Support Agreements, a copy of each shall have been delivered to Parent by the Company and such agreements shall be in full force and effect and shall not have been rescinded.

6.6 Support Agreements. With respect to each Support Agreement executed by a Principal Stockholder, (a) the representations and warranties of each such Principal Stockholder shall be true and correct in all respects as of the Closing Date with the same force and effect as if made at and as of such time (other than those representations and warranties made as of a specific date, which such representations and warranties shall be true and correct in all respects as of such specific date), and (b) each such Principal Stockholder shall have performed and complied in all material respects with the agreements and covenants set forth in its Support Agreement that are required to be performed or compiled with by it on or prior to the Closing Date.

6.7 Termination of Certain Agreements. The Company shall have delivered to Parent evidence in a form reasonably satisfactory to Parent that the agreements listed on Section 6.7 of the Disclosure Schedule shall have been terminated as of the Effective Time.

6.8 280G Matters. With respect to any payments and/or benefits that the Company reasonably determines may constitute "parachute payments" under Section 280G of the Code with respect to any employees, the Company's stockholders shall have (i) approved, pursuant to the method provided for in the regulations promulgated under Section 280G of the Code, any such "parachute payments" or (ii) shall have voted upon and disapproved such parachute payments, and, as a consequence, such "parachute payments" shall not be paid or provided for pursuant to the waivers of those payments and/or benefits which were executed by the affected individuals prior to the date of this Agreement.

ARTICLE VII

CONDITIONS PRECEDENT TO OBLIGATIONS OF THE COMPANY

The obligations of the Company to consummate the transactions contemplated by the Transaction Documents are subject to the satisfaction, at or prior to the Closing, of the following conditions any or all of which may be waived in writing by the Company:

7.1 Performance of Covenants. All of the covenants and obligations that Parent, Purchaser and Merger Sub are required to comply with or to perform at or prior to the Closing shall have been complied with and performed in all material respects.

7.2 Documents. The Company shall have received the following agreements and documents:

(a) a certificate executed by the Chief Executive Officer and Chief Financial Officer of each of Parent, Purchaser and Merger Sub certifying that the conditions set forth in Section 7.1 have been duly satisfied;

(b) Parent shall have delivered, or caused to be delivered, to the Company the Paying Agent Agreement, duly executed by Parent and the Paying Agent; and

(c) evidence of the transfer of the Closing Payment to the account of the Paying Agent identified in writing by the Paying Agent prior to the Closing.

7.3 Governmental Approvals. The waiting period under the HSR Act shall have expired.

ARTICLE VIII

TERMINATION

8.1 Termination Events. This Agreement may be terminated prior to the Closing:

(a) by Parent or Purchaser if the Company has not delivered the Stockholders Written Consent before one (1) hour after the execution of this Agreement (the "**Outside Date**"); or

(b) by the mutual written consent of Parent and the Company.

8.2 Termination Procedures. If Parent wishes to terminate this Agreement pursuant to Section 8.1(a), Parent shall deliver to the Company a written notice stating that Parent is terminating this Agreement and setting forth a brief description of the basis on which Parent is terminating this Agreement.

8.3 Effect of Termination. If this Agreement is terminated pursuant to Section 8.1, all further obligations of the parties under this Agreement shall terminate; *provided, however*, that: (a) no party shall be relieved of any obligation or liability arising from any prior breach by such party of any provision of this Agreement; and (b) the parties shall, in all events, remain bound by and continue to be subject to the provisions set forth in Section 10 herein.

ARTICLE IX

INDEMNIFICATION, ETC.

9.1 Survival of Representations, Etc.

(a) The representations and warranties made by the Company set forth in Section 2 are deemed to be made on the date of this Agreement and at the Closing, and shall survive the Closing and shall expire on the 18-month anniversary of the Closing Date (the "**Termination Date**"); *provided*, *however*, that notwithstanding the foregoing, the representations and warranties contained in Sections 2.1(a) (*Due Organization*), 2.1(e) (*Investments*), 2.3 (*Capitalization*), 2.14 (*Tax Matters*), 2.20 (*Authority; Binding Nature of Agreement*) and 2.22 (*Brokers*) (collectively, the "**Company Special Representations**") shall survive the Closing and the Termination Date and shall expire on the sixtieth (60^{th}) day following the expiration of the applicable statute of limitations (giving effect to any extensions or tolling thereof required by a Governmental Body) for the claim or matter upon which the indemnification claim is based (which shall be the statute of limitations applicable to a third party claim, in the event of a third party claim); *provided*, *further*, that if, at any time prior to the Termination Date, any Parent Indemnitee delivers to the Stockholders' Representative a written notice alleging the existence of a breach of any of the representations and warranties made by the Company (and setting forth in reasonable detail the basis for such Parent Indemnitee's belief that such breach exists) and asserting a claim for recovery based on such alleged breach, then the claim asserted in such notice shall survive the Termination Date until such time as such claim is fully and finally resolved pursuant to this Section 9. None of the covenants or other agreements contained in this Agreement shall survive the Closing Date other than those which by their terms contemplate performance after the Closing Date, and each such surviving covenant and agreement shall survive the Closing for the period contemplated by its terms. For purposes of this Section 9, clauses containing "material," "material respects," or "Material Adverse Effect" ("**Materiality Qualifiers**") in any representation, warranty or covenant shall not be taken into account in determining the amount of any Damages with respect to such breach, default or failure to be true and correct.

(b) The representations and warranties (as modified by the Disclosure Schedule), covenants and obligations of the Company or any Subsidiary, and the rights and remedies that may be exercised by the Parent Indemnitees, shall not be limited or otherwise affected by or as a result of either (i) any waiver of Closing conditions by Parent, Purchaser, Merger Sub, or (ii) any information furnished to, or any due diligence investigation made by any of the Parent Indemnitees or any of their respective Representatives.

(c) The representations and warranties made by Parent, Purchaser and Merger Sub set forth in Section 3 shall survive the Closing and shall expire on the Termination Date; *provided*, *however*, that the representations and warranties contained in Sections 3.1 (*Due Organization*), 3.2 (*Authority; Binding Nature of Agreement*) and 3.6 (*Brokers*) (collectively, the "**Purchaser Special Representations**") shall survive the Closing and the Termination Date and shall expire on the sixtieth (60^{th}) day following the expiration of the applicable statute of limitations (giving effect to any extensions or tolling thereof required by a Governmental Body) for the claim or matter upon which the indemnification claim is based; *provided*, *further*, that if, at any time prior to the Termination Date, the Stockholders' Representative delivers to Purchaser a written notice alleging the existence of a breach of any of the representations and warranties made by Parent, Purchaser or Merger Sub (and setting forth in reasonable detail the basis for such breach) and asserting a claim for recovery based on such alleged inaccuracy or breach, then the claim asserted in such notice shall survive the Termination Date until such time as such claim is fully and finally resolved. None of the covenants or other agreements contained in this Agreement shall survive the Closing Date other than those which by their terms contemplate performance after the Closing Date, and each such surviving covenant and agreement shall survive the Closing for the period contemplated by its terms.

(d) The representations, warranties, covenants and obligations of Parent, Purchaser and Merger Sub, and the rights and remedies that may be exercised by the Stockholders' Representative, shall not be limited or otherwise affected by or as a result of either (i) any waiver of Closing conditions by the Company or (ii) any information furnished to, or any investigation made by or the knowledge of, the Company, the Stockholders' Representative or any of their respective Representatives.

9.2 Indemnification by Participating Holders.

(a) From and after the Closing Date (but subject to Section 9.1(a) and the other limitations set forth in this Section 9, including Section 9.6), the Parent Indemnitees shall be entitled to indemnification solely from the Holdback Amount from and against any Damages that are suffered or incurred by any of the Parent Indemnitees (regardless of whether or not such Damages relate to any third-party claim) and which arise from or as a result of: (i) any breach of any representation or warranty by the Company set forth in Section 2 or in any closing certificate (other than any breach of any Company Special Representation, which is addressed in Section 0), (ii) the matters set forth in Part 9.2 of the Disclosure Schedule or (iii) any Legal Proceedings relating to any breach referred to above (including any Legal Proceeding commenced by any Parent Indemnitee for the purpose of enforcing any of its rights under this Section 9.2) and to the extent prosecuted to resolution in favor of Parent Indemnitee (collectively, "**Section 9.2 Damages**"); *provided, however*, that no Parent Indemnitee shall be entitled to any such indemnification in respect of Section 9.2 Damages unless and until the Damages sought by all Parent Indemnitees exceed one million three hundred fifty thousand U.S. Dollars ($1,350,000) in the aggregate (the "**Basket**"), whereupon indemnification may be sought by the Parent Indemnitees for the full extent of such Damages (including the first $1,350,000); *provided, further*, that the Basket shall not be applicable in the case of fraud neither for (x) determining entitlement to any indemnification for such matters nor (y) aggregating such Damages with other Section 9.2 Damages to meet the Basket.

(b) Notwithstanding the aforesaid, in the event of a breach by any Participating Holder of any of his, her or its respective representations and warranties in a Support Agreement or this Agreement (including 0) (the "**Breaching Holder**"), Parent, Purchaser or any Parent Indemnitee shall only be entitled to present a demand, bring a claim, or be entitled to any remedy against such Breaching Holder (or from the portion of the Set-off Amount attributable to such Breaching Holder, as the case may be), and none of the other Participating Holders will be liable for such a breach.

(c) Absent fraud, set-off against the Holdback Amount by Parent shall be a Parent Indemnitee's sole and exclusive remedy for Section 9.2 Damages. Without limiting the foregoing and for the avoidance of doubt, the Holdback Amount shall be the sole source of recovery for Section 9.2 Damages and no Parent Indemnitee shall have any recourse directly against any Participating Holders and no Participating Holder shall be otherwise liable in respect of Section 9.2 Damages, other than in the case of fraud by such Participating Holder.

9.3 Indemnification for Other Matters by Participating Holders.

(a) In addition to and not by way of limitation of the rights of the Parent Indemnitees pursuant to Section 9.2, from and after the Closing Date (but subject to Section 9.1(a) and the other limitations set forth in this Section 9, including Section 9.6), the Participating Holders shall, severally and not jointly, indemnify and hold the Parent Indemnitees harmless from and against all Damages incurred in connection with: (i) to the extent not deducted from the Closing Payment pursuant to Section 1.9(a) or otherwise accounted for in any adjustment pursuant to Section 0, any Transaction Costs incurred by the Company or any Subsidiary prior to the Closing and that are paid after the Closing and any Specified Severance Obligations; (ii) any Damages arising out of the procedures, including Legal Proceedings, relating to resolving the claims of Dissenting Shares, and all payments with respect to any Dissenting Share in excess of the applicable Holder Amount; (iii) to the extent not covered in clause (ii) above, any Legal Proceeding with a Stockholder, Warrantholder, Optionholder, Employee or former stockholder, warrant holder, option holder, or employee of the Company or any Subsidiary or any other Person, seeking to assert, or based upon, ownership or rights to ownership of any securities of the Company or any Subsidiary prior to the Closing or that he, she or it is entitled to any consideration (or additional consideration) pursuant to this Agreement; (iv) any Pre-Closing Tax Liabilities pursuant to Section 9.12; (v) any amounts that are paid by the Surviving Corporation or its Subsidiaries to any present or former officers, directors or employees of the Company or any Subsidiary pursuant to any indemnification provisions under the Charter Documents as in effect on the date of this Agreement and pursuant to any indemnification agreements listed on Part 2.18 of the Disclosure Schedule, with respect to claims arising out of matters occurring at or prior to the Closing; (vi) any fraud of the Company or any Subsidiary or either of its Representatives in connection with this Agreement, the Merger or the other transactions contemplated hereby; (vii) any breach of any Company Special Representation; (viii) any breach of any of the pre-Closing covenants or pre-Closing agreements made by the Company in this Agreement; (ix) the matters set forth in Part 9.3 of the Disclosure Schedule (collectively, "**Schedule 9.3 Matters**"); (x) any Indebtedness of the Company or any of its Subsidiaries owing to a Stockholder or any employee or director of the Company or any of its Subsidiaries or any of their respective relatives or any Affiliates of any of the foregoing Persons that is outstanding following the Effective Time or (xi) any Legal Proceeding with respect to any of the foregoing matters commenced by a Parent Indemnitee for the purpose of enforcing any of its rights under this Section 9.3 and to the extent prosecuted to a resolution in favor of such Parent Indemnitee (all such indemnified matters constituting, together, the "**Section 9.3 Damages**").

(b) Notwithstanding anything in this Agreement to the contrary, the Participating Holders shall not have any liability for Damages relating to (i) Taxes of the Company and its Subsidiaries for taxable periods beginning after the Closing Date, including as a result of the continuation of conduct with respect to Taxes after the Closing Date or regarding the amount, value or condition of, or any limitations on, any Tax asset or attribute of the Company or its Subsidiaries, including but not limited to net operating losses, or the ability of Parent or any of its Affiliates (including the Company and its Subsidiaries) to utilize such Tax attributes after the Closing, or (ii) the failure by the Company or the Section 102 Trustee to pay any amounts received by such Person for the benefit of Optionholders or Warrantholders to the Optionholders or Warrantholders, as applicable, due such amounts (as set forth in the Closing Spreadsheet or as otherwise instructed in writing by the Stockholders' Representative).

9.4 Indemnification by Parent, Purchaser and the Surviving Corporation. From and after the Closing Date (but subject to Section 9.1(c)), Parent, Purchaser and the Surviving Corporation shall, jointly and severally, indemnify and hold the Participating Holder Indemnitees harmless from and against any Damages that are suffered or incurred by any of the Participating Holder Indemnitees (regardless of whether or not such Damages relate to any third-party claim) and which arise as a result of: (i) any breach of any representation or warranty by Parent, Purchaser or Merger Sub set forth in Section 3 or in any closing certificate; (ii) any breach of any of the covenants or agreements made by Parent, Purchaser or Merger Sub in this Agreement; or (iii) any Legal Proceedings relating to any breach referred to above (including any Legal Proceeding commenced by any Participating Holder Indemnitee for the purpose of enforcing any of its rights under this Section 9.4 and to the extent prosecuted to a resolution in favor of such Participating Holder Indemnitee). Any claim for indemnification by a Participating Holder Indemnitee shall be initiated through the Stockholders' Representative.

9.5 Stockholder Liability.

(a) Parent (on its behalf or on behalf of other Parent Indemnitees) shall be entitled to set off all or a portion of the Holdback Amount pursuant to and in accordance with this Section 9 against all or a portion of the Holdback Payment payable by Parent pursuant to this Agreement against Section 9.2 Damages and Section 9.3 Damages (the "**Set-off Right**"). Parent shall provide written notice (each, a "**Set-off Notice**") to the Stockholders' Representative of the amount proposed to be set off by Parent pursuant to the Set-off Right (the "**Set-off Amount**"), specifying in reasonable detail (based on information then possessed by Parent) the individual items of such Damages and the amount of Damages incurred with respect to each item, (or, in the case of Damages not yet incurred (a "**Contingent Claim**"), the maximum amount reasonably believed by Parent to be incurred). Prior to seeking indemnification directly against any Participating Holder, any Parent Indemnitee shall recover the amount of indemnification to which it may be entitled pursuant to Section 9 (whether or not involving a third party claim) initially by exercising the Set-off Right. The Set-off Right shall be the sole and exclusive remedy for Parent Indemnitees for indemnification for Section 9.2 Damages. If the indemnification claims of any Parent Indemnitees in respect of Section 9.3 Damages exceed the Set-off Amount (as such amount may be decreased pursuant to Section 9.5(b)), the Participating Holders shall, subject to Section 9.6(h), indemnify, severally and not jointly, the Parent Indemnitees for the balance of any Section 9.3 Damages. The liability of the Participating Holders shall be allocated pro rata based on their respective Securities Consideration Fractions. Once the indemnification obligations payable hereunder to the Parent Indemnitees shall have been determined by agreement with the Stockholders' Representative or pursuant to Section 10.7, such determination shall be binding on all the Participating Holders. Following the Closing, no Participating Holder shall be entitled to contribution or any other payments from the Company or any Subsidiary for any indemnification obligations that such Participating Holder is obligated to pay hereunder. The Participating Holders shall pay their indemnification obligations to the Parent Indemnitees in cash.

(b) If the Stockholders' Representative disagrees with all or any portion of any Set-off Notice, the Stockholders' Representative shall notify Parent of such disagreement in writing within thirty (30) days of its receipt of the Set-off Notice, setting forth in reasonable detail the particulars (including reasonable grounds) of such disagreement (the "**Set-off Dispute Notice**"). In the event any such Set-off Dispute Notice is provided within such thirty (30) day period, Parent shall deposit the disputed amount in a third-party escrow (the "**Disputed Set-Off Escrow**"), which shall be established pursuant to the escrow agreement by and among Parent, the Stockholders' Representative and JPMorgan Chase Bank, National Association (the "**Escrow Agent**"), substantially in the form attached hereto as Exhibit M; *provided* that any deposit by Parent in the Disputed Set-off Escrow shall not be construed as an admission of the validity of any claim set forth in the Set-off Dispute Notice. Parent and the Stockholders' Representative shall use commercially reasonable efforts for a period of thirty (30) days (or such longer period as they may mutually agree in writing) to negotiate in good faith and resolve any disagreements by the Stockholders' Representative set forth in the Set-off Dispute Notice. If, at the end of the thirty (30) day period (or such longer period as they may mutually agree in writing), they do not resolve any such disagreements, then either party may submit the dispute for resolution in accordance with Section 10.7, except with respect to any Contingent Claim, with respect to which such dispute resolution proceeding shall not be commenced until after the amount of such claim is finally ascertained. The Company (at Closing) and the Stockholders' Representative (after Closing), on the one hand, and Parent, on the other hand, shall each pay one-half of the fees and expenses of the Escrow Agent.

(c) For the avoidance of doubt, (i) nothing in this Article 9 shall limit or modify any Parent Indemnitee's agreement and obligation to make any post-Closing payment pursuant to this Agreement (including, without limitation, the payment of the Sparkflow Earn-out Amount (to the extent payable to the Participating Stockholders pursuant to Section 1.9(e)), the Deferred Consideration Amount (and interest thereon)) and the Deferred Adjustment Amount, other than as expressly set forth in Section 9.5(a) solely with respect to the Holdback Amount, and (ii) in no event shall any Parent Indemnitee be entitled to set off or otherwise withhold any portion of any post-Closing payment to be made pursuant to this Agreement (including, without limitation, the Sparkflow Earn-out Amount (to the extent payable to the Participating Stockholders pursuant to Section 1.9(e)), the Deferred Consideration Amount (and interest thereon) and the Deferred Adjustment Amount when due to the Participating Stockholders) for any reason, including, without limitation, for any claim for indemnification pursuant to this Article 9, other than as expressly set forth in Section 9.5(a) solely with respect to the Holdback Amount.

9.6 Limitations, Etc. In addition to any other limitation set forth in this Agreement, the Parent Indemnitees' indemnification rights pursuant to this Section 9 shall be further limited as follows:

(a) The Damages incurred or suffered by a Parent Indemnitee shall be reduced by (i) the amount of any related insurance proceeds actually received by such Parent Indemnitee or its Affiliates in connection with the corresponding claim (net of applicable deductible or retention amounts, based on the parties' reasonable estimate of the increases in insurance premiums directly resulting from such claim and costs of recovery) and (ii) any other compensatory payments actually received by such Parent Indemnitee or its Affiliates from any other Persons by way of indemnification (excluding indemnification from Parent or Purchaser), guarantee or similar mechanism with respect to the Damages for which indemnification is claimed. The Parent Indemnitee shall use its commercially reasonable efforts to obtain recovery from any such available insurance policy or indemnification, guarantee or similar mechanism. If any amount referenced in this Section 9.6(a) is actually received after the related indemnification payment has been made, then the related Parent Indemnitee shall remit such amounts to the Paying Agent for distribution to the Participating Holders or to the indemnifying party, as applicable.

(b) No Parent Indemnitee shall be entitled to indemnification hereunder for any Damages arising from a breach of any representation, warranty, covenant or agreement set forth herein (and the amount of any Damages incurred in respect of such breach shall not be included in the calculation of any limitations on indemnification set forth herein) to the extent Parent or Purchaser was previously compensated for such Damage in the final calculation under Section 1.12 of the Net Negative Adjustment Amount or Net Positive Adjustment Amount, as applicable.

(c) No party shall, in any event, be liable to any other Person for any Damages pursuant to this Section 9 to the extent such Damages constitute, include or relate to any punitive damages except to the extent paid to a third party.

(d) If a Parent Indemnitee is entitled to indemnification under more than one clause or subclause of this Agreement with respect to Damages, then such Parent Indemnitee shall be entitled to only one indemnification or recovery for such Damages to the extent it arises out of the same set of circumstances and events.

(e) Each Parent Indemnitee shall take all reasonable steps to mitigate Damages for which indemnification may be claimed by it pursuant to this Agreement after becoming aware of any event that could reasonably be expected to give rise to any such Damages.

(f) If a Parent Indemnitee is owed any Damages and has actually realized any Loss Tax Benefit arising from the incurrence or payment of such Damages, then such Damages shall be calculated net of such Loss Tax Benefit. If a Parent Indemnitee is paid any amount of indemnification under this Section 9 in respect of Damages and subsequently realizes a Loss Tax Benefit arising from the incurrence or payment of such Damages, the Parent Indemnitee shall promptly pay to the Paying Agent, for further payment to the Participating Holders in accordance with their respective Securities Consideration Fractions, a sum equal to the amount of such Loss Tax Benefit as and when realized. For purposes hereof, "**Loss Tax Benefit**" shall mean the Tax savings or benefits actually realized by such Parent Indemnitee in the year of or following such loss that is attributable to any deduction, loss, credit, refund or other reduction in Tax resulting from or arising out of indemnified Damages.

(g) No Parent Indemnitee shall be entitled to indemnification hereunder for any Damages arising from a breach of any representation, warranty, covenant or agreement set forth herein (and the amount of any Damages incurred in respect of such breach shall not be included in the calculation of any limitations on indemnification set forth herein) to the extent such Damage is specifically reserved for on the Company Balance Sheet.

(h) Notwithstanding any provision herein to the contrary, no Participating Holder shall be liable for aggregate indemnification pursuant to this Agreement (including pursuant to Section 9.3), the Merger or the transactions contemplated hereby, in excess of the Merger Consideration actually received by it pursuant to this Agreement.

9.7 Defense of Third Party Claims. In the event of the assertion or commencement by any Person of any claim or Legal Proceeding (whether against the Company, a Subsidiary, the Surviving Corporation, Parent, Purchaser or any other Person) with respect to which any of the Parent Indemnitees shall have the right to seek indemnification pursuant to this Section 9, as soon as practicable and in any event within thirty (30) days of the time that such Parent Indemnitees learns of such claim or Legal Proceeding, Purchaser shall deliver written notice (the "**Third Party Claim Notice**") to the Stockholders' Representative setting forth in reasonable detail the nature of the claim for which indemnification is sought, the provision(s) under this Agreement that provide the basis for such claim for indemnification, the amount of such third party claim (if known) and the portion of such amount subject to indemnification, *provided, however*, that any failure of Purchaser to so notify the Stockholders' Representative shall not limit any of the rights of the Parent Indemnitees under this Section 9, except to the extent that such failure to so notify the Stockholders' Representative results in (i) the forfeiture by the Participating Holders of rights and defenses otherwise available to the Participating Holders with respect to such claim or (ii) otherwise materially and adversely affects the Participating Holders' interests in the matter. Other than with respect to Schedule 9.3 Matters that the Stockholders' Representative assumes the defense of within thirty (30) days of receiving the applicable Third Party Claim Notice, the Purchaser shall have the right to assume and control, through counsel of its own choosing reasonably acceptable to the Stockholders' Representative, the defense of any such Legal Proceeding, the costs of which shall be considered Section 9.2 Damages or Section 9.3 Damages, as applicable, for which Purchaser shall be entitled to seek indemnification under this Section 9, *provided*, *however*, that the Participating Holders will not be required to pay the fees and disbursements of more than one (1) counsel for all Parent Indemnitees plus one (1) local counsel in each applicable foreign jurisdiction for all Parent Indemnities. With respect to Schedule 9.3 Matters that the Stockholders' Representative assumes the defense of within thirty (30) days of receiving the applicable Third Party Claim Notice and, in the event that Purchaser declines or fails to assume the defense of any claim described in the preceding sentence within thirty (30) days of receiving notice of such claim, any such claims described in the preceding sentence, the Stockholders' Representative shall have the right to assume and control, through counsel of its own choosing reasonably acceptable to the Purchaser, the defense of any such Legal Proceeding. The Parent Indemnitees or the Stockholders' Representative controlling the defense of such Legal Proceeding, as the case may be, shall at all times use reasonable efforts to keep the Stockholders' Representative or Parent and Purchaser, as the case may be, reasonably apprised of the status of any matter the defense of which they are maintaining and to cooperate in good faith with, and consult with, each other with respect to the defense of such Legal Proceeding. The party not controlling such Legal Proceeding shall cooperate with and make available to the controlling party such assistance and materials as may be reasonably requested by it (including copies of any summons, complaint or other pleading which may have been served on such party and any written claim, demand, invoice, billing or other document evidencing or asserting the same). Notwithstanding the foregoing, Parent and/or Purchaser shall not settle any such claim or Legal Proceeding without the consent of the Stockholders' Representative, such consent not to be unreasonably withheld, conditioned or delayed; *provided*, *however*, that if the consent of the Stockholders' Representative is so obtained, such settlement of any such claim or Legal Proceeding shall alone be determinative of the amount of the claim and neither the Stockholders' Representative nor any person who has a beneficial interest therein shall have any power or authority to object under any provision of this Section 9 to the amount of any demand by any Parent Indemnitee with respect to such settlement. If it shall have elected to control the defense or settlement of any third party claim or Legal proceeding pursuant hereto, the Stockholders' Representative shall not consent to a settlement of, or the entry of any judgment arising from, any such third-party claim without the prior written consent of the applicable Parent Indemnitees (which consent shall not be unreasonably withheld, conditioned or delayed); *provided*, *however*, that the Stockholders' Representative may consent to such a settlement or entry of judgment without the consent of the applicable Parent Indemnitees if such settlement or judgment (i) does not provide for injunctive or other nonmonetary relief affecting any Parent Indemnitees, (ii) does not require any Parent Indemnitees to make any payment in respect thereof (other than as a result of payment to the Paying Agent of some or all of the Holdback Amount that was set-off in respect of such claim), and (iii) includes as a term thereof given by each claimant or plaintiff to such Parent Indemnitees of a release from all liability with respect to such claim.

9.8 Exercise of Remedies by Third Parties. No Person who is not a party to this Agreement (or any successor thereto or assign thereof) shall be permitted to assert any indemnification claim or exercise any other remedy under this Agreement.

9.9 Purchase Price. Any payments made to a Parent Indemnitee or a Participating Holder Indemnitee pursuant to this Section 9 shall be treated as an adjustment to the purchase price paid to the Participating Holders for Tax purposes.

9.10 Remedies Exclusive. From and after the Closing, the rights of the parties under this Section 9 shall be the exclusive remedy of the Parent Indemnitees from for any claims arising under this Agreement or the transactions contemplated hereby, including claims of breach of any representation, warranty or covenant in this Agreement. Notwithstanding the above, any (x) Parent Indemnitee or (y) the Company prior to the Closing or the Stockholders' Representative following the Closing shall be (a) entitled to seek any available remedy of law or equity (including rescission or restitution) with respect to fraud, (b) entitled to seek injunctive relief to enjoin the breach, or threatened breach, of any provision of this Agreement, and (c) entitled to seek the equitable remedy of specific performance pursuant to Section 10.9.

9.11 Right to Bring Action. Notwithstanding anything in this Section 9 or elsewhere in this Agreement to the contrary, prior to the Closing, only the Company, and after the Closing only the Stockholders' Representative shall have the right, power and authority to commence any action, suit or proceeding by and on behalf of any or all Participating Holders against Parent, Purchaser and their respective Affiliates, including the Surviving Corporation, or any other Parent Indemnitee, and in no event shall any Participating Holder himself, herself or itself have the right to commence any action, suit or proceeding against Parent, Purchaser and their respective Affiliates, including the Surviving Corporation, or any other Parent Indemnitee, in each case other than any such action, suit or proceeding in connection with such Participating Holder's right to receive its Securities Consideration Fraction of the Merger Consideration.

9.12 Tax Matters. The following provisions of this Section 9.12 shall govern the allocation between the Purchaser and Stockholders of responsibility for certain Tax matters involving the Company or any Subsidiary following the Closing Date. In the event of any conflict between the provisions of this Section 9.12 and any other provision of this Agreement, the provisions of this Section 9.12 shall control.

(a) Preparation of Tax Returns; Control of Audits.

(i) The Purchaser shall cause the Company and its Subsidiaries to prepare or cause to be prepared for filing by the Company and its Subsidiaries all Tax Returns for the Company and its Subsidiaries for all Tax periods ending on or before the Closing Date (the "**Pre-Closing Periods**") that are due after the Closing Date. Such Tax Returns shall be prepared (A) in a manner consistent with the terms of this Agreement and the Company's and its Subsidiaries' past practices, except to the extent required by applicable Legal Requirements and (B) for U.S. income tax purposes for a pre-Closing short year in accordance with Treasury Regulations Section 1.1502-76(b)(1)(ii)(A)(1) (and not using the "next day" rule of Treasury Regulations Section 1.1502-76(b)(1)(ii)(B)). With respect to the preparation of such income tax Returns, Parent and the Stockholders' Representative agree that (A) all Transaction Tax Deductions (other than payments made to Optionholders after the Closing Date, including their portion of the Holdback Amount) shall be the Pre-Closing Period and shall be included as deductions on the income tax Returns of the Company for such period in accordance with applicable Tax law and (B) the Purchaser shall determine the amount of all Transaction Tax Deductions in accordance with applicable Tax law. For the avoidance of doubt, (x) the amendment of previously filed Tax Returns and (y) the filing of IRS Form 4466, in each case to obtain refunds for the account of the Participating Holders, is governed by Section 9.12(e)(iii) and not by this Section 9.12(a).

(ii) Such Tax Returns (including any related work papers or other information reasonably requested by the Stockholders' Representative) shall be provided to the Stockholders' Representative for its review not later than 45 days before the due date for filing such Tax Returns (including extensions). If the Stockholders' Representative does not provide the Purchaser with a written description of the items in the Tax Returns or the tax statement that the Stockholders' Representative intends to dispute within 20 days following the delivery to the Stockholders' Representative of such documents, the Stockholders' Representative shall be deemed to have agreed to such documents in the form provided, and the Purchaser shall thereafter cause all such Tax Returns to be timely filed by the Company and its Subsidiaries. The Stockholders' Representative and the Purchaser agree to consult with each other and to negotiate in good faith any timely-raised issue arising as a result of the review of such Tax Returns or the tax statement to permit the filing of such Tax Returns as promptly as possible. In the event the parties are unable to resolve any dispute within 10 days following the delivery of written notice by the Stockholders' Representative of such dispute, the Stockholders' Representative and the Purchaser shall jointly request the Reviewing Accountant to resolve any issue in dispute at least 5 days before the due date of such Tax Return, in order that such Tax Return may be timely filed. The Reviewing Accountant shall make a determination with respect to any disputed issue within 5 days before the due date (including extensions) for the filing of the Tax Return in question, and the Purchaser shall cause the Company and its Subsidiaries to file such Tax Return on the due date (including extensions) therefor in a manner consistent with the determination of the Reviewing Accountant. The determination of the Reviewing Accountant shall be binding on all parties; *provided* that any such determination shall be limited to the resolution of issues in dispute. The fees and expenses of the Reviewing Accountant incurred in the resolution of such dispute shall be borne by the Participating Holders (acting through the Stockholders' Representative in its capacity as such) and Purchaser in such proportion as is appropriate to reflect the relative benefit received by the Participating Holders and Purchaser from the resolution of the dispute. For example, if the Stockholders' Representative challenges the calculation of the tax amount due by an amount of $100,000, but the Reviewing Accountant determines that the Stockholders' Representative has a valid claim for only $40,000, Purchaser shall bear 40% of the fees and expenses of the Reviewing Accountant and the Participating Holders (acting through the Stockholders' Representative in its capacity as such) shall bear the other 60% of such fees and expenses. The Stockholders (acting through the Stockholders' Representative in its capacity as such) will timely pay (or cause to be timely paid) all Pre-Closing Tax Liabilities (as such term is defined herein) shown as due and owing on all such Tax Returns, other than to the extent that an accrual with respect to such Tax is included as a Current Liability and taken into account for purposes of determining Closing Date Balance Sheet.

(iii) In the case of any taxable period that includes (but does not end on) the Closing Date (a "**Straddle Period**"), the amount of any Taxes based on or measured by income, receipts, sales, use or payroll of the Company and its Subsidiaries for the taxable period ending on or before the Closing Date, including without limitation the pre-Closing portion of any Straddle Period (the "**Pre-Closing Tax Period**"), shall be determined based on a closing of the books as of the close of business on the Closing Date (and for such purpose, the taxable period of any partnership or other pass-through entity in which the Company or any Subsidiary holds a beneficial interest shall be deemed to terminate at such time) and the amount of other Taxes of the Company and its Subsidiaries for a Straddle Period that relates to the Pre-Closing Tax Period shall be deemed to be the amount of such Tax for the entire taxable period multiplied by a fraction the numerator of which is the number of days in the taxable period ending on and including the Closing Date and the denominator of which is the number of days in such Straddle Period. The Purchaser shall cause the Company and its Subsidiaries to prepare or cause to be prepared, and file or cause to be filed, all Tax Returns for the Straddle Period. Such Tax Returns shall be prepared in a manner consistent with the Company's and its Subsidiaries' past practices, except as required by applicable Legal Requirements. Such Tax Returns (including any related work papers or other information reasonably requested by the Stockholders' Representative) shall be provided to the Stockholders' Representative for its review not later than 45 days before the due date for filing such Tax Returns (including extensions). If the Stockholders' Representative does not provide the Purchaser with a written description of the items in the Tax Returns or the tax statement that the Stockholders' Representative intends to dispute within 20 days following the delivery to the Stockholders' Representative of such documents, the Stockholders shall be deemed to have agreed to such documents in the form provided, and the Purchaser shall thereafter cause such Tax Returns to be timely filed by the Company and its Subsidiaries in the form provided to the Stockholders' Representative. The Purchaser and the Stockholders' Representative agree to consult with each other and to negotiate in good faith any timely-raised issue arising as a result of the review of such Tax Returns or the tax statement to permit the filing of such Tax Returns as promptly as possible. In the event the parties are unable to resolve any dispute within 10 days following the delivery of written notice by the Stockholders' Representative of such dispute, the Purchaser and the Stockholders' Representative shall jointly request the Reviewing Accountant to resolve any issue in dispute at least 5 days before the due date of such Tax Return, in order that such Tax Return may be timely filed. The Reviewing Accountant shall make a determination with respect to any disputed issue within 5 days before the due date (including extensions) for the filing of the Tax Return in question, and the Purchaser shall cause the Company and its Subsidiaries to file such Tax Return on the due date (including extensions) therefor in a manner consistent with the determination of the Reviewing Accountant. The determination of the Reviewing Accountant shall be binding on all parties; *provided* that any such determination shall be limited to the resolution of issues in dispute. The fees and disbursements of the Reviewing Accountant shall be borne in a manner consistent with Section 9.12(a)(ii). In addition to the Straddle Period Tax Returns prepared by the Purchaser pursuant to this Section 9.12(a)(iii), the Purchaser shall also submit to the Stockholders' Representative, together with such Straddle Period Tax Returns, a proposed allocation of the Taxes with respect to any such Straddle Period for which the Stockholders are responsible pursuant to Section 9.12(d) hereof ("**Stockholders' Straddle Period Allocation**"), and the dispute resolution mechanism set forth in this Section 9.12(a)(iii) shall also apply with respect to such proposed Stockholders' Straddle Period Allocation. The Stockholders, jointly and severally, shall pay to the Purchaser on or before the date which is the later of 3 days before the due date of each applicable Tax Return (after giving effect to any valid extensions), or 5 days after such final determination, the amount of the Pre-Closing Tax Liabilities for which the Stockholders are responsible as determined herein, other than to the extent that an accrual with respect to such Tax is included as a Current Liability and taken into account for purposes of determining Closing Date Balance Sheet.

(iv) The Purchaser and the Stockholders' Representative shall cooperate fully in connection with the filing of Tax Returns pursuant to this Section 9.12(a) and, subject in all respects to the provisions of Section 9.12(b) hereof, in connection with any audit, litigation or other proceeding with respect to Taxes of the Company and/or its Subsidiaries. Such cooperation shall include the making available during normal business hours of personnel, powers of attorney, and the retention and (upon a Party's request) the provision of records and information that are reasonably relevant to the preparation of any such Tax Return or to any such audit, litigation or other proceeding. The Purchaser and the Stockholders' Representative shall (A) retain or cause to be retained all books and records that are in its possession with respect to Tax matters pertinent to the Company or its Subsidiaries relating to any Pre-Closing Period or Straddle Period until the expiration of the applicable statute of limitations (and, to the extent notified by the Purchaser or the Stockholders' Representative, any extension thereof) of the applicable taxable periods, and abide by all record retention agreements entered into with any Governmental Body, and (B) give the other parties hereto reasonable written notice before transferring, destroying or discarding any such books and records and, if the other Party so requests, the Purchaser or the Stockholders' Representative, as the case may be, shall allow the other Party to take possession of such books and records.

(v) The Purchaser and the Stockholders' Representative shall, upon request, use their commercially reasonable efforts to obtain any certificate or other document from any Person as may be necessary to mitigate, reduce or eliminate any Tax that could be imposed (including with respect to the transaction contemplated hereby). Prior to making any deduction or withholding from any payment to any Participating Holder in its capacity as such, the Purchaser (or applicable withholding agent) shall use commercially reasonable efforts to provide five (5) days' prior written notice to the Stockholders' Representative of the amounts subject to deduction or withholding and a reasonable opportunity to provide forms or other evidence that would exempt such amounts from such deduction or withholding.

(b) Tax Claims. In the event a claim is made or a deficiency alleged following the Closing relating to the Company or any Subsidiary by the IRS or any other Tax Authority, which, if successful, would result in a loss or liability in respect of which indemnity properly may be sought against the Stockholders, jointly and severally, pursuant to this Agreement (collectively, an "**Indemnity Tax Matter**"), then the following shall apply:

(i) After the Company or any Subsidiary receives actual notice of such claim or alleged deficiency, the Purchaser shall, or the Purchaser shall cause the Company or the applicable Subsidiary to, promptly notify the Stockholders' Representative in writing of such claim or alleged deficiency.

(ii) The Stockholders' Representative shall have the right to represent the interests of the Company or any Subsidiary before the relevant Governmental Body with respect to any Indemnity Tax Matter and shall have the right to control the defense, compromise or other resolution of any such Indemnity Tax Matter, including responding to inquiries, filing Tax Returns and contesting, defending against and resolving any assessment for additional Taxes or notice of Tax deficiency or other adjustment of Taxes of, or relating to, such Indemnity Tax Matter. The Purchaser shall have the right (but not the duty) to participate in the defense of such Indemnity Tax Matter and to employ separate counsel, at the Purchaser's own expense, and the Stockholders' Representative shall keep the Purchaser informed with respect to the commencement, status and nature of any such Indemnity Tax Matter and will, in good faith, allow the Purchaser to consult with it regarding the conduct of or positions taken in any such Action. In the event of any conflict between this Section 9.12(b) and Section 9.7, the provisions of this Section 9.12(b) shall control.

(iii) Notwithstanding the provisions of Section 9.12(b)(ii), the Stockholders' Representative shall not settle or compromise any Indemnity Tax Matter without the prior written consent of the Purchaser, which shall not be unreasonably withheld, conditioned, or delayed.

(c) Transfer Taxes. All transfer, documentary, sales, use, stamp, registration, value added, and other such similar Taxes and fees (including any penalties and interest) incurred in connection with this Agreement or the transactions contemplated by this Agreement, will be borne and paid by Purchaser when due, and Purchaser will, at its own expense, file all necessary Tax Returns and other documentation with respect to all such Taxes and fees.

(d) Liability for Taxes. The Participating Holders will be solely responsible, jointly and severally, for the following Taxes (collectively, the "**Pre-Closing Tax Liabilities**"): (i) all Taxes imposed upon the Participating Holders, (ii) all Taxes imposed upon the Company or any Subsidiary with respect to Pre-Closing Tax Periods; (iii) with respect to Straddle Periods (if any), all Taxes imposed upon the Company or any Subsidiary which are allocable, pursuant to Section 9.12(a)(iii), to the Pre-Closing portion of such Straddle Period; (iv) Taxes of any member of an affiliated, consolidated, combined or unitary group of which the Company or any Subsidiary (or any predecessor of the foregoing) is or was a member on or prior to the Closing Date, including pursuant to Treasury Regulations Section 1.1502-6 or any analogous state, local or foreign law or regulation; and (v) Taxes of any other Person imposed upon the Company or any Subsidiary as a transferee or successor, by contract or otherwise, or as a result of any obligation to assume such Taxes or to indemnify any other Person for such Taxes, to the extent that the events or transactions giving rise to such Taxes occurred on or before the Closing Date.

(e) Pre-Closing Refunds.

(i) The Participating Holders shall be entitled to the amount of any refund (or credit for overpayment of Tax in lieu thereof) of all Taxes (including any interest thereon) paid with respect to a Pre-Closing Tax Period which refund (or credit) is actually received (or recognized) by Purchaser or any of its Affiliates (including the Company and its Subsidiaries) after the Closing, net of any third-party cost to Purchaser and its Affiliates attributable to the obtaining and receipt of such refund (or credit), except to the extent such refund (or credit) arises as a result of a carryback of a loss or other tax benefit from a Tax period (or portion thereof) beginning after the Closing Date. Promptly upon receipt of any such Tax refund or credit, and in no event later than ten (10) days after receipt by Purchaser, the Company, the Surviving Corporation or any of their Affiliates, Purchaser will deliver and pay over, or cause to be delivered and paid over, by wire transfer of immediately available funds, such Tax refunds or credits, including any interest thereon, less any required Tax withholding, to the Paying Agent, for further payment to the Participating Holders in accordance with their respective Securities Consideration Fractions.

(ii) Purchaser will endeavor in good faith, if the Stockholders' Representative so requests and at the Participating Holders' sole expense, to assist the Stockholders' Representative in obtaining any refunds or credits to which the Participating Holders are entitled hereunder. To the extent such refund (or credit) is subsequently disallowed or required to be returned to the applicable taxing authority, the Participating Holders agree promptly to repay the amount of such refund (or credit), together with any interest, penalties or other additional amounts imposed by such taxing authority, to Parent.

(iii) Without limiting the general provisions of Section 9.12(e)(ii), Purchaser shall cause the Surviving Corporation to file (A) an IRS Form 4466 and (B) income Tax Returns for each tax year ending on or before the Closing Date with respect to which refunds (or credits) may be obtained, in each case, within fourteen (14) days after such IRS Form 4466 or amended income Tax Return has been approved in writing by the Stockholders' Representative and presented to Purchaser. Purchaser shall use commercially reasonable efforts to cause the Surviving Corporation's accountants to prepare and provide to the Stockholders' Representative, for its review and approval, (x) such IRS Form 4466 within thirty (30) days following the Closing Date and (y) such amended income Tax Returns by May 31, 2016.

ARTICLE X

MISCELLANEOUS PROVISIONS

10.1 Entire Agreement. This Agreement (including any exhibits and schedules hereto), the Disclosure Schedules and the Mutual Non-Disclosure Agreement, dated as of June 30, 2015, by and between Parent and the Company, as amended, and the other agreements referred to herein set forth the entire understanding of the parties hereto relating to the subject matter hereof and thereof and supersede all prior agreements and understandings among or between any of the parties relating to the subject matter hereof and thereof.

10.2 Further Assurances. Each party hereto shall execute and cause to be delivered to each other party hereto such instruments and other documents, and shall take such other actions, as such other party may reasonably request (prior to, at or after the Closing) for the purpose of carrying out or evidencing any of the transactions contemplated by the Transaction Documents.

10.3 Fees and Expenses. Whether or not the Merger is consummated, except as expressly set forth in this Agreement, each party to this Agreement shall bear and pay all fees, costs and expenses (including legal fees and accounting fees) that have been incurred or that are incurred by or on behalf of such party in connection with this Agreement and the transactions contemplated by the Transaction Documents, including all fees, costs and expenses incurred by such party in connection with or by virtue of (a) the investigation and review conducted with respect to the other party's business (and the furnishing of information to in connection with such investigation and review), (b) the negotiation, preparation and review of this Agreement (including the Disclosure Schedule) and all agreements, certificates, opinions and other instruments and documents delivered or to be delivered in connection with the transactions contemplated by the Transaction Documents, as well as the related letter of intent, including (i) all brokers' or finders' fees, (ii) fees and expenses of counsel, advisors, consultants, investment bankers, accountants, and auditors and experts, (iii) any fees, costs and expenses or payments of the Company or any Subsidiary or any of their Affiliates related to any transaction bonus, including the payments pursuant to the agreements disclosed under Schedule 2.5(m)(iii) of the Disclosure Schedule, carve-out plan, fixed bonus plan, discretionary bonus, change-of-control payment, phantom equity payout, "stay-put" or other compensatory payments required to be made by the Company or any Subsidiary to any Person as a result of the execution of this Agreement or in connection with or as a result of the consummation of the transactions contemplated by this Agreement (and expressly excludes any severance obligations that become payable after the Closing other than the Specified Severance Obligations), and (iv) half the fees of the Paying Agent and the Escrow Agent, (c) the preparation and submission of any filing or notice required to be made or given in connection with any of the transactions contemplated by the Transaction Documents, and the obtaining of any Consent required to be obtained in connection with any of such transactions and (d) any other amount set forth on the Transaction Costs Certificate (collectively, "**Transaction Costs**"). Notwithstanding the foregoing, (A) the Auditor Review Costs and the costs set forth on Part 10.3 of the Disclosure Schedule shall be Transaction Costs of, and borne by, Parent and Purchaser (and to the extent the Company or any of its Subsidiaries has paid any such amounts prior to the Closing, such amounts will be reimbursed by Parent and Purchaser in connection with the Closing), and (B) the Specified Severance Obligations, if any, the Dividend Equivalent Payments, the Company 102 Options Gross-Up Bonus and the costs set forth on Exhibit N shall be Transaction Costs of, and borne by, the Company and its Subsidiaries.

10.4 Notices. Any notice or other communication required or permitted to be delivered to any party under this Agreement shall be in writing and shall be deemed properly delivered, given and received when delivered (by hand, by courier or express delivery service, by electronic mail or by facsimile) to the address or facsimile telephone number set forth beneath the name of such party below (or to such other address or facsimile telephone number as such party shall have specified in a written notice given to the other parties hereto); provided that, with respect to notices delivered to the Stockholders' Representative, such notices must be delivered solely via electronic mail or facsimile with confirmed receipt:

if to Parent, Purchaser or Merger Sub:

Perion Network Ltd.
1 Azrieli Center, Building A, 4th Floor
26 HaRokmim Street
Holon 5885849, Israel
Facsimile: +972-3-6445502
Attention: General Counsel
Email: limorg@perion.com

with a copy to (which shall not constitute notice):

Goldfarb Seligman & Co.
Ampa Tower
98 Yigal Alon Street
Tel-Aviv 6789141, Israel
Facsimile: + 972 (3) 521 2212
Attention: Adam M. Klein, Adv. and Yoni Henner, Adv.
Email: adam.klein@goldfarb.com; yoni.henner@goldfarb.com

if to the Stockholders' Representative:

Fortis Advisors LLC
Facsimile: (858) 408-1843
Attention: Notice Department
Email: notices@fortisrep.com

with a copy to (which shall not constitute notice):

Goodwin Procter LLP
901 New York Avenue, NW
Washington, DC 20001
Facsimile: (202) 346-4444
Attention: Josh Klatzkin, Esq. and Joseph F. Bernardi, Jr., Esq.
Email: jklatzkin@goodwinprocter.com and jbernardi@goodwinprocter.com

if to the Company:

Interactive Holding Corp.
c/o Undertone Networks
340 Madison Avenue, 8th Floor
New York, NY 10173
Facsimile: (480) 247-5856
Attention: General Counsel
Email: mellenbogen@undertone.com

with a copy to (which shall not constitute notice):

Goodwin Procter LLP
901 New York Avenue, NW
Washington, DC 20001
Facsimile: (202) 346-4444
Attention: Josh Klatzkin, Esq. and Joseph F. Bernardi, Jr., Esq.
Email: jklatzkin@goodwinprocter.com and jbernardi@goodwinprocter.com

if to the Company, after Closing, to the address set forth under "Parent, Purchaser or Merger Sub" above.

Any notice sent in accordance with this Section 10.4 shall be effective (i) if mailed, nine (9) days after mailing, (ii) if sent by messenger, upon delivery, (iii) if sent by overnight courier, four (4) days after mailing, and (iv) if sent via telecopier and email, when sent, with an acknowledgment of sending being produced by the sending facsimile machine and computer, or (if sent on a non-Business Day) on the first Business Day following the acknowledgement of sending.

10.5 Headings. The headings contained in this Agreement are for convenience of reference only, shall not be deemed to be a part of this Agreement and shall not be referred to in connection with the construction or interpretation of this Agreement.

10.6 Counterparts. This Agreement may be executed in several counterparts, each of which shall constitute an original and all of which, when taken together, shall constitute one agreement.

10.7 Dispute Resolution.

(a) Except as otherwise provided in this Agreement, all disputes arising directly under this Agreement or the grounds for termination thereof, including whether any payments may be due under this Agreement, shall be resolved as follows. Representatives of both parties shall meet to attempt to resolve any such dispute. If the dispute cannot be resolved by such meeting, either party may make a written demand to the other party or parties for formal dispute resolution and specify therein the scope of the dispute. The parties hereby agree to submit to binding arbitration by a single arbitrator selected by the parties and administered by the American Arbitration Association and shall take place in New York, New York. The parties agree that arbitration shall be the sole, exclusive and final remedy for any disputes arising directly under this Agreement. Within thirty (30) days after such written notification, the parties agree to meet for one day with an impartial mediator. Accordingly, the parties may not pursue court action regarding any dispute arising directly under this Agreement.

(b) Notwithstanding the provisions of Section 10.7(a), each party shall have the right, without the requirement of first seeking a remedy through any dispute resolution alternative (including mediation or arbitration) that has been agreed upon, to seek preliminary injunctive or other equitable relief in the Court of Chancery of the State of Delaware, pursuant to 10 Del. C. §346 in the event that such party determines that eventual redress through the dispute resolution alternative will not provide a sufficient remedy for any violation of this Agreement by the other party.

10.8 Governing Law; Jurisdiction; Waiver of Jury Trial.

(a) THIS AGREEMENT SHALL BE DEEMED TO BE MADE IN AND IN ALL RESPECTS SHALL BE EXCLUSIVELY INTERPRETED, CONSTRUED AND GOVERNED BY AND IN ACCORDANCE WITH THE LAW OF THE STATE OF DELAWARE WITHOUT REGARD TO THE CONFLICT OF LAW PRINCIPLES THEREOF.

(b) The parties hereby irrevocably exclusively submit to the jurisdiction of the Court of Chancery of the State of Delaware for the purpose set forth in Section 10.7(b). Notwithstanding the foregoing, if there is a determination that the Court of Chancery of the State of Delaware does not have subject matter jurisdiction over any dispute arising under or relating to this Agreement, the parties agree that: (1) such dispute will be adjudicated only by, and will be subject to the exclusive jurisdiction and venue of, the Superior Court of Delaware of and for the County of New Castle; (2) if the Superior Court of Delaware does not have subject matter jurisdiction over such dispute, then such dispute will be adjudicated only by, and will be subject to the exclusive jurisdiction and venue of, the Complex Commercial Litigation Division of the Superior Court of the State of Delaware of and for the County of Newcastle; and (3) if the Complex Commercial Litigation Division of the Superior Court of the State of Delaware does not have subject matter jurisdiction over such dispute, then such dispute will be adjudicated only by, and will be subject to the exclusive jurisdiction and venue of, the federal courts applicable to Delaware.

(c) EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY DOCUMENT ANCILLARY THERETO OR THE TRANSACTIONS CONTEMPLATED BY THE TRANSACTION DOCUMENTS OR ANY DOCUMENT ANCILLARY THERETO. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (1) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (2) EACH SUCH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (3) EACH SUCH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (4) EACH SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE WAIVERS AND CERTIFICATIONS IN THIS SECTION 10.8.

10.9 Specific Performance and Remedies. The parties agree that irreparable damage for which monetary damages, even if available, would not be an adequate remedy, would occur in the event that the parties hereto do not perform the provisions of this Agreement (including failing to take such actions as are required of it hereunder in order to consummate the transactions contemplated by this Agreement) in accordance with its specified terms or otherwise breach such provisions (including the obligation of the parties to consummate the transactions contemplated by the Agreement and the obligation of Parent and Purchaser to, jointly and severally, pay, and the Participating Holders right to receive, the Merger Consideration pursuant to this Agreement, in each case in accordance with the terms and subject to the conditions of this Agreement). The parties acknowledge and agree that the parties shall be entitled to an injunction, specific performance and other equitable relief to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof. The parties agree that they will not oppose the granting of an injunction, specific performance and other equitable relief on the basis that (i) the other party or parties have an adequate remedy at law or (ii) an award of specific performance is not an appropriate remedy for any reason at law or equity.

10.10 Successors and Assigns(a). This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns. The Company may not assign any of its rights or obligations under this Agreement to any other Person without obtaining first the written consent of Purchaser. Parent, Purchaser or Merger Sub may not assign any of their respective rights or obligations under this Agreement to any other Person without obtaining first the written consent of the Stockholders' Representative. Notwithstanding the foregoing, after or in connection with the Closing, each of Parent, Purchaser and Merger Sub may assign all of their respective rights under this Agreement for collateral security purposes to any lender providing financing to Parent, Purchaser, Merger Sub, the Company or any of its Subsidiaries, or in connection with a transfer or sale of the business of Parent, Purchaser, Merger Sub, the Company or any of their respective subsidiaries or otherwise, but no such assignment shall relieve Parent, Purchaser or Merger Sub of any liability or obligation hereunder.

10.11 Waiver.

(a) No failure on the part of any Person to exercise any power, right, privilege or remedy under this Agreement, and no delay on the part of any Person in exercising any power, right, privilege or remedy under this Agreement, shall operate as a waiver of such power, right, privilege or remedy; and no single or partial exercise of any such power, right, privilege or remedy shall preclude any other or further exercise thereof or of any other power, right, privilege or remedy.

(b) No Person shall be deemed to have waived any claim arising out of this Agreement, or any power, right, privilege or remedy under this Agreement, unless the waiver of such claim, power, right, privilege or remedy is expressly set forth in a written instrument duly executed and delivered on behalf of such Person; and any such waiver shall not be applicable or have any effect except in the specific instance in which it is given.

10.12 Amendments. This Agreement may not be amended, modified, altered or supplemented other than by means of a written instrument duly executed and delivered on behalf of Parent, Purchaser, Merger Sub, the Company and the Stockholders' Representative; *provided* that, with respect to provisions not relating directly to the Stockholders' Representative, the consent of the Stockholders' Representative shall not be unreasonably withheld, conditioned or delayed.

10.13 Severability. In the event that any provision of this Agreement, or the application of any such provision to any Person or set of circumstances, shall be determined to be invalid, unlawful, void or unenforceable to any extent, the remainder of this Agreement, and the application of such provision to Persons or circumstances other than those as to which it is determined to be invalid, unlawful, void or unenforceable, shall not be impaired or otherwise affected and shall continue to be valid and enforceable to the fullest extent permitted by law.

10.14 Parties in Interest. Except for the provisions of Section 9, none of the provisions of this Agreement are intended to provide any rights or remedies to any Person other than the parties hereto and their respective successors and assigns (if any).

10.15 Construction. The following rules of construction shall apply to this Agreement, its schedules and exhibits.

(a) Unless the context of this Agreement otherwise requires: (i) words of any gender include each other gender; (ii) words using the singular or plural number also include the plural or singular number, respectively; (iii) the terms "hereof," "herein," "hereunder" and derivative or similar words refer to this entire Agreement; (iv) the terms "day" and "days" mean and refer to calendar day(s), (v) the terms "year" and "years" mean and refer to calendar year(s) and (vi) the word "or" is not exclusive and is deemed to have the meaning "and/or". If any period of days referenced in this Agreement ends on a day that is not a Business Day, such period shall be extended to the next Business Day.

(b) The parties hereto agree that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not be applied in the construction or interpretation of this Agreement.

(c) As used in this Agreement, the words "include," "includes" and "including," and variations thereof, shall not be deemed to be terms of limitation, but rather shall be deemed to be followed by the words "without limitation."

(d) Except as otherwise indicated, all references in this Agreement to "Sections," "Schedules" and "Exhibits" are intended to refer to Sections of this Agreement and Schedules and Exhibits to this Agreement.

(e) The phrases "provided to," "furnished to," and phrases of similar import when used herein, unless the context otherwise requires, shall mean that a true, correct and complete copy of the information or material referred to has been provided to the party to whom such information or material is to be provided. Any document or item shall be deemed "provided" or "furnished" by the Company to Parent, Purchaser and Merger Sub for purposes of Section 2 if such document or item was included no later than two days prior to the date hereof in the electronic data room established by the Company at https://services.intralinks.com/login/ in connection with the transactions contemplated by this Agreement.

(f) Any reference in this Agreement to the "Company" shall be deemed to be a reference to the Company and each of its Subsidiaries (separately and in the aggregate), except to the extent otherwise specified herein or required by the context of the use of the word "Company" herein.

(g) All amounts preceded by "$" and all references to currency, monetary values, and dollars set forth herein shall mean U.S. dollars.

(h) The provisions of this Agreement may not be interpreted, supplemented, or qualified through evidence of prior drafts or a prior course of dealings or performance.

10.16 Disclosure Schedule. Certain information set forth in the Disclosure Schedule may not be required to be disclosed pursuant to this Agreement. The disclosure of any information shall not be deemed to constitute an acknowledgment that such information is required to be disclosed in connection with the representations and warranties made by the Company, Parent, Purchaser or Merger Sub, as applicable, in this Agreement or that such information is material, nor shall such information be deemed to establish a standard of materiality, nor shall it be deemed an admission of any liability of, or concession as to any defense available to, the Company or Parent, Purchaser and Merger Sub, as applicable, unless otherwise stated therein. The Disclosure Schedule will be arranged in sections corresponding to the numbered and lettered sections and subsections contained in Section 2 and Section 3, and, notwithstanding anything contained herein to the contrary, the disclosure in any such numbered and lettered Section or subsection of the Disclosure Schedule shall be deemed to be disclosed and incorporated into any other Section of the Disclosure Schedule where such disclosure would be appropriate and reasonably apparent.

10.17 Waiver of Conflicts; Privilege.

(a) Each of the parties acknowledges and agrees that Goodwin Procter LLP ("**Goodwin**") has acted as counsel to the Company, the Company's Subsidiaries, the Stockholders' Representative and certain of the Participating Stockholders in connection with the negotiation of this Agreement and consummation of the transactions contemplated hereby.

(b) Each of Parent and Purchaser hereby consents and agrees to, and agrees to cause Surviving Corporation and Parent's other Subsidiaries to consent and agree to, Goodwin representing the Stockholders' Representative after the Closing, including with respect to disputes in which the interests of the Stockholders' Representative may be directly adverse to Parent, Purchaser and their Subsidiaries (including the Surviving Corporation and its Subsidiaries), and even though Goodwin may have represented the Company and its Subsidiaries in a matter substantially related to any such dispute. Each of Parent and Purchaser further consents and agrees to, and agrees to cause the Surviving Corporation and its Subsidiaries to consent and agree to, the communication by Goodwin to the Stockholders' Representative in connection with any such representation of any fact known to Goodwin arising by reason of Goodwin's prior representation of the Company and its Subsidiaries.

(c) In connection with the foregoing, Parent and Purchaser hereby irrevocably waive and agree not to assert, and agree to cause the Surviving Corporation and its Subsidiaries to irrevocably waive and not to assert, any conflict of interest arising from or in connection with (i) Goodwin's prior representation of the Company and its Subsidiaries and (ii) Goodwin's representation of the Stockholders' Representative prior to and after the Closing.

(d) Each of Parent and Purchaser further agrees, on behalf of itself and, after the Closing, on behalf of the Surviving Corporation and its Subsidiaries, that all communications in any form or format whatsoever between or among any of Goodwin, the Company, the Company's Subsidiaries, the Stockholders' Representative and/or any Participating Holder, or any of their respective directors, officers employees or other representatives that relate in any way to the negotiation, documentation and consummation of the transactions contemplated by this Agreement or any dispute arising under this Agreement (collectively, the "**Deal Communications**") shall be deemed to be retained and owned collectively by the Participating Holders, shall be controlled by the Stockholders' Representative on behalf of the Participating Holders and shall not pass to or be claimed by Parent, Purchaser, the Surviving Corporation or any of its Subsidiaries. All Deal Communications that are attorney-client privileged (the "**Privileged Deal Communications**") shall remain privileged after the Closing and the privilege and the expectation of client confidence relating thereto shall belong solely to the Stockholders' Representative and the Participating Holders, shall be controlled by the Stockholders' Representative on behalf of the Participating Holders and shall not pass to or be claimed by Parent, Purchaser, the Surviving Corporation or any of its Subsidiaries.

(e) Notwithstanding the foregoing, in the event that a dispute arises between Parent, Purchaser, the Surviving Corporation or its Subsidiaries, on the one hand, and a third party other than the Stockholders' Representative, on the other hand, Parent, Purchaser, the Surviving Corporation or its Subsidiaries may assert the attorney-client privilege to prevent the disclosure of the Privileged Deal Communications to such third party; provided, however, that none of Parent, Purchaser, the Surviving Corporation or its Subsidiaries may waive such privilege without the prior written consent of the Stockholders' Representative. In the event that Parent, Purchaser, the Surviving Corporation or its Subsidiaries is legally required by governmental order or otherwise to access or obtain a copy of all or a portion of the Privileged Deal Communications, Purchaser shall, and Parent shall cause Purchaser to, immediately (and, in any event, within two (2) calendar days) notify the Stockholders' Representative in writing (including by making specific reference to this Section 10.17(e)) so that the Stockholders' Representative can seek a protective order and each of Parent and Purchaser agrees to use all commercially reasonable efforts to assist therewith.

(f) Notwithstanding the foregoing, this consent and waiver of the right to assert any conflict of interest is limited to matters arising in connection with the negotiation of this Agreement, the Transaction Documents and the transactions contemplated hereby and thereby. Nothing in this Section 10.17 shall constitute a waiver of any attorney-client privilege or any privilege associated with attorney-client communications or attorney work product with respect to Goodwin's representation of the Company or any of its Subsidiaries on any matter (other than Goodwin's representation of the Company and its Subsidiaries in connection with this Agreement, the Transaction Documents and the transactions contemplated hereby and thereby), and does not waive or excuse Goodwin from complying with applicable rules of professional conduct regarding the confidentiality of any client information of the Company and its Subsidiaries other than as it pertains to Goodwin's representation of the Company and its Subsidiaries in connection with this Agreement, the Transaction Agreements and the transactions contemplated hereby and thereby.

ARTICLE XI

STOCKHOLDERS' REPRESENTATIVE

11.1 Power of Attorney. Effective as of the date hereof, for purposes of this Agreement, each Participating Holder, without any further action on the part of any such Participating Holder, shall be deemed to have consented to the appointment of Fortis Advisors LLC, a Delaware limited liability company, as the Stockholders' Representative, as the exclusive agent and attorney-in-fact for and on behalf of such Participating Holder under this Agreement, and the taking by the Stockholders' Representative of any and all actions and the making of any decisions required or permitted to be taken by it under this Agreement, including without limitation: (i) to execute this Agreement in the capacity of Stockholders' Representative; (ii) to give and receive notices and communications; notices or communications to or from the Stockholders' Representative shall constitute notice to or from each of the Participating Holders; (iii) to review, negotiate and agree to and authorize the exercise by Parent or Purchaser (on behalf of itself or any other Parent Indemnitee, including by not objecting to such claims) of indemnification claims made by way of the Set-off Right or otherwise, to enter into settlements and compromises of, and demand arbitration and comply with orders of courts and awards of arbitrators with respect to such claims; (iv) to enforce the rights of the Participating Holders to receive the Merger Consideration from Parent and Purchaser following the Effective Time; (vi) to make the determination of each Participating Holder's Securities Consideration Fraction and each Stockholder's Share Consideration Fraction at each date of determination; and (vi) to take all actions necessary or appropriate in the judgment of the Stockholders' Representative in connection with this Agreement. Notwithstanding the foregoing, the Stockholders' Representative shall have no obligation to act on behalf of the Participating Holders, except as expressly provided herein, and for purposes of clarity, there are no obligations of the Stockholders' Representative in any ancillary agreement, schedule, exhibit or the Disclosure Schedule. Each Participating Holder hereby agrees to receive correspondence from the Stockholders' Representative, including in electronic form. The powers, immunities and rights to indemnification granted to the Stockholders' Representative Group (as defined below) hereunder: (i) are coupled with an interest and shall be irrevocable and survive the death, incompetence, bankruptcy or liquidation of any Participating Holder and shall be binding on any successor thereto, and (ii) shall survive the delivery of an assignment by any Participating Holder of the whole or any fraction of his, her or its interest in the Holdback Amount, the Sparkflow Earn-out Amount and the Deferred Consideration Amount (including interest thereon).

11.2 Decision Binding. A decision, act, consent or instruction of the Stockholders' Representative shall constitute a decision of all the Participating Holders and shall be final, binding and conclusive upon each of such Participating Holders and such Participating Holder's successors as if expressly confirmed and ratified in writing by such Participating Holder, and all defenses which may be available to any Participating Holder to contest, negate or disaffirm any decision, act, consent or instruction of the Stockholders' Representative taken in good faith under this Agreement are waived. Parent, Purchaser, Merger Sub, the Surviving Corporation, the Paying Agent and the Company may rely upon any such decision, act, consent or instruction of the Stockholders' Representative as being the decision, act, consent or instruction of every such Participating Holder. Each of Parent, Purchaser, Merger Sub, the Surviving Corporation, the Paying Agent and the Company is hereby relieved from any liability to any person for any acts done by it in accordance with such decision, act, consent or instruction of the Stockholders' Representative. The Stockholders' Representative shall be entitled to: (i) rely upon the Closing Spreadsheet, (ii) rely upon any signature believed by it to be genuine, and (iii) reasonably assume that a signatory has proper authorization to sign on behalf of the applicable Participating Holder or other party.

11.3 Replacement of Stockholders' Representative. The Stockholders' Representative may resign at any time and may be removed by the Stockholders representing a majority in interest of the Stockholders (based on the number of shares of Common Stock on an as-converted basis held by them, as set forth on the Closing Spreadsheet) (the "**Required Stockholders**") upon not less than 10 days' prior written notice to the other parties hereto (including the Paying Agent), which notice shall be accompanied with an instrument executed by a substitute agent accepting the position of a Stockholders' Representative. The immunities and rights to indemnification shall survive the resignation or removal of the Stockholders' Representative or any member of the Advisory Group (as defined below) and the Closing and/or any termination of this Agreement. In the event of resignation, or any other vacancy in the Stockholders' Representative's position, the Required Stockholders may appoint a substitute agent upon not less than 10 days' prior written notice to the other parties hereto (including the Paying Agent), which notice shall be accompanied with an instrument executed by a substitute agent accepting the position of a Stockholders' Representative. After the end of such prior notice period, the successor Stockholders' Representative shall, without further acts, be vested with all the rights, powers, and duties of the predecessor Stockholders' Representative as if originally named as Stockholders' Representative. If the position of Stockholders' Representative shall be vacant for more than 30 days, Parent or Purchaser may file a petition to a court of competent jurisdiction to appoint a successor to such position.

11.4 Protection of Stockholders' Representative. Certain Participating Holders have entered into an engagement agreement with the Stockholders' Representative to provide direction to the Stockholders' Representative in connection with its services under this Agreement (such Participating Holders, including their individual representatives, collectively hereinafter referred to as the "**Advisory Group**"). Neither the Stockholders' Representative nor its members, managers, directors, officers, contractors, agents and employees nor any member of the Advisory Group (collectively, the "**Stockholders' Representative Group**") will incur any liability with respect to any action taken or suffered by it in reliance upon any notice, direction, instruction, consent, statement or other document believed by it to be genuine and to have been signed by the proper person (and shall have no responsibility to determine the authenticity thereof), nor for any other action or inaction in connection with the acceptance or administration of the Stockholders' Representative's responsibilities hereunder or under any Stockholder Representative engagement agreement, unless and only to the extent such action or inaction constitutes willful misconduct or bad faith. In all questions arising under this Agreement, the Stockholders' Representative Group may rely on the advice of counsel, and the Stockholders' Representative Group will not be liable to Participating Holders for anything done, omitted or suffered in good faith by the Stockholders' Representative Group based on such advice. The Participating Stockholders shall, severally and not jointly, indemnify, defend and hold the Stockholders' Representative Group harmless from and against any loss, claim, damage, tax, liability, fee, cost, expense (including fees, disbursements and costs of counsel and other skilled professionals and in connection with seeking recovery from insurers), judgment, fine or amount paid in settlement (collectively, "**Representative Losses**") that may be incurred by the Stockholders' Representative arising out of or in connection with the acceptance or administration of the Stockholders' Representative's duties, except as caused by the Stockholders' Representative's willful misconduct or bad faith, including the legal costs and expenses of defending such Stockholders' Representative Group against any claim or liability in connection with the performance of the Stockholders' Representative's duties. If not paid directly to the Stockholders' Representative by the Participating Stockholders, any such Representative Losses may be recovered by the Stockholders' Representative from (i) initially the funds in the Representative Fund, (ii) if the funds from the Representative Fund have been exhausted, then from any Holdback Payment, Deferred Consideration Payoff Amount, Deferred Consideration Interest Payment Amount, Deferred Consideration Prepayment Amount Sparkflow Earn-out Payment or Deferred Adjustment Amount actually payable to the Participating Stockholders pursuant to written instructions delivered by the Stockholders' Representative to Purchaser or the Paying Agent, as the case may be; *provided*, that while this Section allows the Stockholders' Representative to be paid from the Representative Fund, any Holdback Payment or Sparkflow Earn-out Payment, and any payment of any Deferred Consideration Payoff Amount, Deferred Consideration Interest Payment Amount Deferred Consideration Prepayment Amount or Deferred Adjustment Amount. this does not relieve the Participating Stockholders from their obligation to promptly pay such Representative Losses as they are suffered or incurred, nor does it prevent the Stockholders' Representative from seeking any remedies available to it at law or otherwise. Any payment by Parent and Purchaser to the Stockholders' Representative pursuant to the written instructions of the Stockholders' Representative shall be considered for purposes of this Agreement to have been paid to the Participating Stockholders. The liability of the Participating Stockholders shall be allocated pro rata based on their respective Share Consideration Fractions. The Participating Holders acknowledge that the Stockholders' Representative shall not be required to expend or risk its own funds or otherwise incur any financial liability in the exercise or performance of any of its powers, rights, duties or privileges or pursuant to this Agreement or the transactions contemplated hereby. Furthermore, the Stockholders' Representative shall not be required to take any action unless the Stockholders' Representative has been provided with funds, security or indemnities which, in its determination, are sufficient to protect the Stockholders' Representative against the costs, expenses and liabilities which may be incurred by the Stockholders' Representative in performing such actions.

11.5 Reimbursement of Stockholders' Representative's Expenses. Each Participating Stockholder agrees to reimburse the Stockholders' Representative for its pro rata portion of all Representative Losses based on their respective Share Consideration Fraction in accordance with the priority set forth in Section 11.4 above. A portion of the Closing Payment in cash in the amount of two hundred thousand U.S. Dollars ($200,000) shall be set aside from the Closing Payment to cover the expenses incurred by the Stockholders' Representative (the "**Representative Fund**"), which shall be wired to the Stockholders' Representative by the Purchaser at the Closing, and which shall be held by the Stockholders' Representative as agent and (i) for the benefit of the Participating Stockholders in a segregated client bank account and shall be used for the purposes of paying directly, or reimbursing the Stockholders' Representative for, any Representative Losses incurred pursuant to this Agreement or any Stockholders' Representative letter agreement, or (ii) as otherwise determined by the Advisory Group. The Stockholders' Representative will hold these funds separate from its corporate funds, will not use these funds for its operating expenses or any other corporate purposes and will not voluntarily make these funds available to its creditors in the event of bankruptcy. The Participating Stockholders shall not receive interest or other earnings on the Representative Fund and the Participating Stockholders irrevocably transfer and assign to the Stockholders' Representative any ownership right that they may have in any interest that may accrue on funds held in the Representative Fund. The Participating Stockholders acknowledge that the Stockholders' Representative is not providing any investment supervision, recommendations or advice. The Stockholders' Representative shall have no responsibility or liability for any loss of principal of the Representative Fund other than as a result of its willful misconduct or bad faith. For tax purposes, the Representative Fund shall be treated as having been received and voluntarily set aside by the Participating Stockholders at the time of Closing. The parties agree that the Stockholders' Representative is not acting as a withholding agent or in any similar capacity in connection with the Representative Fund and that the Stockholders' Representative has no tax reporting or income distribution obligations hereunder. Each Participating Stockholder agrees that Representative Losses may be deducted by the Stockholders' Representative from the Representative Fund. Any remaining amount in the Representative Fund upon the completion of the Stockholders' Representative's duties hereunder shall be distributed to the Paying Agent for distribution to the Participating Stockholders based on each Participating Stockholder's Share Consideration Fraction determined as of such date of distribution. For Tax purposes, the Representative Fund shall be deemed received by the Participating Stockholders at the Closing, but any withholding in respect thereof shall be satisfied from other sources owing to the applicable Participating Stockholder on the Closing Date.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered as of the date first above written.

PERION NETWORK LTD.

By: /s/ Josef Mandelbaum
Name: Josef Mandelbaum
Title: CEO

By: /s/ Yacov Kaufman
Name: Yacov Kaufman
Title: CEO

INCREDITONE INC.

By: /s/ Josef Mandelbaum & Yacov Kaufman
Name: Josef Mandelbaum & Yacov Kaufman
Title: Chief Executive Officer & Chief Financial Officer

OR MERGER, INC.

By: /s/ Josef Mandelbaum & Yacov Kaufman
Name: Josef Mandelbaum & Yacov Kaufman
Title: Chief Executive Officer & Chief Financial Officer

[Signature Page to Agreement and Plan of Merger]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered as of the date first above written.

INTERACTIVE HOLDING CORP.

By: /s/ Corey Ferengul

Name: Corey Ferengul
Title: Chief Executive Officer

[Signature Page to Agreement and Plan of Merger]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered as of the date first above written.

FORTIS ADVISORS LLC, solely in its capacity
as the Stockholders' Representative

By: /s/ Richard A. Fink

Name: Richard A. Fink
Title: CEO & Managing Director

[Signature Page to Agreement and Plan of Merger]

EXHIBIT AND SCHEDULE INDEX

Exhibits

Exhibit A	–	Certain Definitions
Exhibit B	–	Stockholders Written Consent
Exhibit C	–	Form of Support Agreement
Exhibit D	–	Certificate of Merger
Exhibit E	–	Certificate of Incorporation of Merger Sub
Exhibit F	–	Closing Spreadsheet
Exhibit G	–	Paying Agent Agreement
Exhibit H	–	Letter of Transmittal
Exhibit I	–	Financial Statements
Exhibit J	–	Stockholders Notice
Exhibit K	–	FIRPTA Certificate under Section 1.897-2(h)(2)
Exhibit L	–	FIRPTA Certificate under Sections 1.897-2(h) and 1.1445-2(c)(3)
Exhibit M	–	Form of Escrow Agreement
Exhibit N	–	Certain Transaction Costs of the Company and its Subsidiaries

Schedules

Schedule 1.12	–	Net Working Capital, Cash & Debt Certificate

EXHIBIT A

Certain Definitions

For purposes of the Agreement (including this Exhibit A):

"**Accounts Receivable**" shall mean all accounts receivable, including without limitation, all trade accounts receivable, notes receivable from customers, vendor credits and accounts receivable from employees and all other obligations from customers with respect to sales of goods or services by the Company or any Subsidiary.

"**Acquisition Transaction**" shall mean any transaction involving:

(a) the sale, license, disposition or acquisition of all or a material portion of the Company's or any Subsidiary's business or assets outside the ordinary course; or

(b) the issuance, disposition or acquisition of (i) any capital stock or other equity security of the Company or any Subsidiary (other than Common Shares issued to employees of the Company upon exercise of options), (ii) any option, call, warrant or right (whether or not immediately exercisable) to acquire any capital stock or other equity security of the Company or any Subsidiary, or (iii) any other security, instrument or obligation that is or may become convertible into or exchangeable for any capital stock or other equity security of the Company or any Subsidiary; or

(c) any merger, consolidation, business combination, reorganization or similar transaction involving the Company or any Subsidiary.

An "**Action**" shall mean any pending or threatened private or governmental action, suit, proceeding governmental investigation, mediation or arbitration.

An "**Affiliate**" of a specified Person shall mean a Person that directly or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control with, the Person specified. For this purpose, "control," shall mean the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"**Agreement**" shall mean the Agreement to which this Exhibit A is attached (including the Disclosure Schedule and other Schedules and Exhibits thereto), as it may be amended from time to time.

"**Antitrust Laws**" shall mean the laws and regulations of any Governmental Body with respect to competition, antitrust or merger control.

"**Applicable Interest Rate**" shall mean ten percent (10%) per annum; provided, however, during any period when an Event of Default has occurred and such Event of Default remains outstanding, the Applicable Interest Rate shall be fifteen percent (15%) per annum.

"**Applicable Payment Date**" shall mean the earliest to occur of (a) the fifth anniversary of the Closing, (b) the date on which the indebtedness for borrowed money evidenced by the Senior Credit Facility is refinanced in full, (c) the date on which the indebtedness for borrowed money evidenced by the Senior Credit Facility is repaid in full at the request of the Company, (d) the date of a Parent Change of Control, (e) the date of any acceleration of any Material Indebtedness, (f) the date of any Bankruptcy Event and (g) the date upon which the Stockholders' Representative demands payment of the Deferred Consideration Amount as a result of the occurrence of an Event of Default.

"**Auditor Review Costs**" shall mean the fees and expenses of PriceWaterhouseCoopers LLP for their review of the interim financial statements of the Company and its Subsidiaries.

"**Bankruptcy Event**" shall mean that (a) any of Parent, Purchaser or the Surviving Corporation makes any assignment for the benefit of creditors, (b) a trustee shall be appointed for any of Parent, Purchaser or the Surviving Corporation or any substantial portion of any of Parent's, Purchaser's or the Surviving Corporation's property, or (c) any proceedings by or against any of Parent, Purchaser or the Surviving Corporation under any insolvency, bankruptcy, reorganization, moratorium or other similar Laws affecting creditors' rights generally shall be commenced which, in each case, shall continue undischarged or undismissed for a period of sixty (60) consecutive days.

"**Business Day**" shall mean any day other than Friday, Saturday, Sunday or a day on which commercial banks in the State of New York and/or the State of Israel are required or authorized by law to remain closed.

"**Company 102 Options**" shall mean Company Stock Options granted pursuant to Section 102.

"**Company 102 Options Gross-Up Bonus**" shall mean cash bonuses paid to the holders of In-the-Money Options that are Company 102 Options in an amount necessary to cover the portion of the Israeli income taxes applicable to the payments received in respect of such Company 102 Options such that the net amount received by the applicable Optionholder after all Israeli income taxes applicable to such payments are paid is equal to the net amount such Optionholder would have received after income taxes if such payments were instead subject to an Israeli tax rate of 25%.

"**Company 102 Shares**" shall mean Common Stock issued (A) pursuant to Section 102 or (B) upon exercise of Company 102 Options.

"**Company 3(i) Options**" shall mean Company Stock Options granted pursuant to Section 3(i) of the Ordinance.

"**Company Board**" shall mean the Board of Directors of the Company.

"**Company Holders**" shall mean Stockholders, Warrantholders and Optionholders.

"**Company Warrant**" shall mean any warrant of the Company or any Subsidiary convertible into Shares.

"**Consent**" shall mean any permit, authorization, approval, consent, ratification, permission, waiver or authorization (including any Governmental Authorization).

"**Continuing Directors**" shall mean the directors of Parent on the Closing Date, and each other director, if in each case, such other director's nomination for election to the board of directors of Parent is recommended by at least a majority of the Continuing Directors.

"**Contract**" shall mean any written, oral or other agreement, contract, subcontract, lease, promise, understanding, instrument, obligation, license, arrangement, permit, concession, franchise, purchase order, sales order contract, note, bond, warranty, mortgage, indenture, deed of trust, loan, credit agreement, insurance policy, benefit plan or legally binding commitment or undertaking of any nature.

"**Damages**" shall include any loss, damage (including incidental damages), injury, liability, claim, Lien, demand, settlement, judgment, award, fine, penalty, Tax, fee (including reasonable attorneys' fees), charge, cost (including reasonable costs of investigation) or expense of any nature.

"**Disclosure Schedule**" shall mean the schedule titled "Disclosure Schedule" (dated as of the date of the Agreement) delivered to Parent, Purchaser and Merger Sub on behalf of the Company.

"**Dividend Equivalent Payments**" shall mean the payments to certain Optionholders as set forth in the Transaction Costs Certificate and included in Part 2.15(e) of the Disclosure Schedules.

"**DOJ**" shall mean the United States Department of Justice.

"**Encumbrance**" shall mean any Lien, pledge, hypothecation, charge, mortgage, security interest, encumbrance, claim, conditional and installment sale agreement, option, right of first refusal, preemptive right, call, community property interest or restriction of any nature (including any restriction on the voting of any security (including voting trust and voting agreement), any restriction on the transfer of any security or other asset, any restriction on the receipt of any income derived from any asset, any restriction on the use of any asset and any restriction on the possession, exercise or transfer of any other attribute of ownership of any asset). The grant of a non-exclusive license, in itself, under or to the Company Intellectual Property shall not be considered to be an Encumbrance, unless the Contract containing such license grant contains other terms that would be considered to be an Encumbrance.

"**Entity**" shall mean any corporation (including any non-profit corporation), general partnership, limited partnership, limited liability partnership, joint venture, estate, trust, company (including any limited liability company), firm or other enterprise, association, organization or entity.

"**Equity Interests**" shall mean, with respect to any Person, all of the shares of capital stock of (or other ownership or profit interests in) such Person, all of the warrants, options or other rights for the purchase or acquisition from such Person of shares of capital stock of (or other ownership or profit interests in) such Person, all of the securities convertible into or exchangeable for shares of capital stock of (or other ownership or profit interests in) such Person or warrants, rights or options for the purchase or acquisition from such Person of such shares (or such other interests), and all of the other ownership or profit interests in such Person (including partnership, member or trust interests therein), whether voting or nonvoting, and whether or not such shares, warrants, options, rights or other interests are outstanding on any date of determination.

"**Event of Default**" shall mean each of the following: (a) the occurrence of a Bankruptcy Event, (b) the breach by Parent of any covenant set forth in Section 5.5, (c) the failure to make any payment pursuant to Section 1.9(f)(i) or 1.9(f)(ii) when due, and (d) the acceleration of any Material Indebtedness.

"**Family Member**" shall mean, in respect of a natural Person, (i) a spouse of such Person, (ii) a descendant of such Person or of a such Person's spouse, (iii) such Person's antecedent, (iv) such Person's brother or sister or (v) a spouse of any of the Persons referred to in clauses (ii), (iii), (iv) or (v) above.

"**Fully Diluted Basis**" shall mean all issued and outstanding shares of common stock, preferred stock and other kinds of capital stock or voting securities, with all convertible and exercisable securities (or other rights to acquire capital stock) deemed converted or exercised, as the case may be, into shares of capital stock in accordance with their terms, whether or not then currently vested, exercisable, exchangeable or convertible.

"**FTC**" shall mean the United States Federal Trade Commission.

"**GAAP**" shall mean generally accepted accounting principles in the United States applied on a consistent basis.

"**German Subsidiary**" means World Web Network GmbH.

"**Governmental Authorization**" shall mean any: permit, license, grants, certificate, franchise, permission, clearance, registration, concessions, easements, variances, exceptions, exemptions, consents, certificates, approvals, orders, qualification or authorization issued, granted, given or otherwise made available by or under the authority of any Governmental Body or pursuant to any Legal Requirement.

"**Governmental Body**" shall mean any: (a) nation, state, commonwealth, province, territory, county, municipality, district or other jurisdiction of any nature; (b) States or supranational, federal, state, local, municipal, foreign, provincial or other government; or (c) governmental, regulatory or administrative authority or quasi-governmental authority of any nature (including any governmental division, department, agency, commission, instrumentality, official, organization, unit, body, branch or bureau or Entity and any court, tribunal, judicial or arbitral body).

"**HSR Act**" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

"**Immediate Family Member**" shall mean, in respect of a natural Person, (i) a spouse of such Person or (ii) a descendant of such Person or of such Person's spouse.

"**Indebtedness**" means, as applied to any Person, (a) all Indebtedness for borrowed money, whether current or funded, or secured or unsecured (including all obligations for principal, interest premiums, penalties, fees, expenses and prepayment or breakage costs), (b) all Indebtedness for the deferred purchase price of property or services represented by a note or other security, (c) all Indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (d) all Indebtedness secured by a purchase money mortgage or other Lien to secure all or part of the purchase price of property subject to such mortgage or Lien, (e) all obligations under leases which shall have been or must be, in accordance with GAAP, recorded as capital leases in respect of which such person is liable as lessee, (f) any Liability in respect of banker's acceptances or letters of credit to the extent outstanding, and (g) all Indebtedness referred to in clauses (a), (b), (c), (d), (e) or (f) above which is directly or indirectly guaranteed by or which such person has agreed (contingently or otherwise) to purchase or otherwise acquire or in respect of which it has otherwise assured a creditor against loss.

"**Intercept Interactive**" means Intercept Interactive Inc.

"**Israeli Subsidiary**" means U.U.U.I. Undertone Israel Ltd.

"**ITA**": means the Israel Tax Authority.

"**Knowledge of the Company**" shall mean the knowledge of the persons set forth in Part 12.1 of the Disclosure Schedule as set forth therein.

"**Law**" shall mean any federal, state, county, city, municipal, foreign, or other governmental statute, law, rule, regulation, ordinance, order, code, or requirement (including pursuant to any settlement agreement or consent decree) and any permit or license granted under any of the foregoing, or any requirement under the common law.

"**Legal Proceeding**" shall mean any claim, action, suit, litigation, arbitration, complaint, proceeding (including any civil, criminal, administrative, investigative or appellate proceeding), hearing, inquiry, audit, examination or investigation commenced, brought, conducted or heard by or before, or otherwise involving, any court or other Governmental Body or any arbitrator or arbitration panel.

"**Legal Requirement**" shall mean any local, municipal, foreign or other law, statute, constitution, principle of common law, resolution, ordinance, code, edict, decree, rule, regulation, ruling or requirement issued, enacted, adopted, promulgated, implemented or otherwise put into effect by or under the authority of any Governmental Body.

"**Liabilities**" shall mean any and all Indebtedness, liabilities and obligations, whether accrued or fixed, known or unknown, absolute or contingent, matured or unmatured, determined or determinable, accrued or unaccrued, asserted or unasserted, liquidated or unliquidated or due or to become due, and regardless of whether arising out of or based upon any Contract, Law, tort, strict liability or otherwise.

"**Lien**" shall mean with respect to any property or asset, any mortgage, deed of trust, lien, pledge, hypothecation, assignment, charge, option, preemptive purchase right, easement, encumbrance, security interest, or other adverse claim of any kind in respect of such property or asset. For purposes of this Agreement, a Person will be deemed to own subject to a Lien any property or asset that it has acquired or holds subject to the interest of a vendor or a lessor under any conditional sale agreement, capital lease, or other title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such property or asset.

A "**Material Adverse Effect**" shall mean (i) any event, circumstance, change or effect (each, an "Effect") that, individually or in the aggregate is, or would reasonably be expected to be, materially adverse to the business, operations, assets (tangible or intangible), results of operations or condition (financial or otherwise) of the Company and its Subsidiaries, taken as a whole or (ii) any Effect that would prevent or materially impair the consummation of the Merger; *provided*, *however*, that no Effect arising out of or in connection with, or resulting from, any of the following shall be taken into account, either alone or in combination, in determining whether there has been a "Material Adverse Effect": (1) changes affecting any or all of the industries in which the Company or any Subsidiary operate; *provided* that neither the Company nor any Subsidiary is materially disproportionately adversely affected thereby relative to other industry participants; (2) changes that are generally applicable to the economy in any geographic location which the Company or any Subsidiary operate; *provided* that neither the Company nor any Subsidiary is materially disproportionately adversely affected thereby relative to other industry participants; (3) the performance by the parties hereto of their respective obligations under this Agreement, the effects of not taking any action prohibited by the terms hereof, the taking of any action at the written request of Parent, Purchaser or Merger Sub, or the omission of any action at the written request of Parent, Purchaser or Merger Sub; (4) changes in regulatory, business or political conditions, changes in general financial or securities market conditions (including interest rates or currency exchange rates), or any outbreak, of hostilities, terrorist activities or war, or any material worsening of any hostilities, activities or war underway as of the date hereof; *provided* that neither the Company nor any Subsidiary is materially disproportionately adversely affected thereby relative to other industry participants; (5) any change in Legal Requirement or GAAP; *provided* that neither the Company nor any Subsidiary is disproportionately adversely affected thereby relative to other industry participants; (6) any earthquake, hurricane or other natural disaster, weather-related event or act of God; *provided* that neither the Company nor any Subsidiary is materially disproportionately adversely affected thereby relative to other industry participants; (7) the announcement of this Agreement or the transactions contemplated by this Agreement; or (8) any failure of the Company or any Subsidiary to meet financial projections or any estimates of revenues or earnings; *provided* that this exception shall not prevent or otherwise affect any determination that the underlying reasons for any such failure constitutes or contributed to a Material Adverse Effect.

"**Material Indebtedness**" shall mean Indebtedness of any one of Parent, Purchaser or the Surviving Corporation in a principal amount of twenty million U.S. Dollars ($20,000,000) or more.

"**Net Value**" shall mean the excess, if any, of the Common Amount (determined in accordance with Section 0), over the exercise price of a Company Stock Option or Company Warrant, as applicable.

"**Optionholder**" shall mean any Person holding a Company Stock Option.

"**Parent Change of Control**" shall mean means (a) any Person or group of persons within the meaning of § 13(d)(3) of the Securities Exchange Act of 1934 becomes the beneficial owner, directly or indirectly, of fifty percent (50%) or more of the outstanding Equity Interests of Parent as a result of (i) a transaction, or series of related transactions, in which Parent is a party to the merger, purchase, tender offer or similar transaction agreement or (ii) pursuant to a "hostile" tender offer, (b) individuals who constitute the Continuing Directors cease for any reason to constitute at least a majority of the board of directors of Parent or (c) Parent shall cease to own and control, directly or indirectly, one hundred percent (100%) of each class of outstanding Equity Interests of Intercept Interactive.

"**Parent Indemnitees**" shall mean each of Parent, Purchaser, the Surviving Corporation, Merger Sub, the successors and assigns of each of the foregoing and the Representatives of each of the forgoing.

"**Participating Holder Indemnitees**" shall mean each Participating Holder, the successors and assigns of each of the foregoing (or estate of the foregoing if an individual) and the Representatives of each of the forgoing.

"**Participating Stockholder**" shall mean each Person who was, at the Effective Time, a holder of record of Shares (other than Excluded Shares) as set forth in the Closing Spreadsheet.

"**Permitted Liens**" shall mean the following Liens: (a) Liens for Taxes that are not yet due or payable and for which adequate reserves have been established in accordance with GAAP on the Financial Statements; (b) (x) statutory Liens of landlords and (y) Liens of carriers, warehousemen, mechanics, materialmen, workmen or repairmen incurred in the ordinary course of business consistent with past practice with respect to charges not yet due and payable and for which adequate reserves have been established in accordance with GAAP on the Financial Statements; (c) with respect to the properties covered by the Company Leases, easements, rights-of-way, building or other restrictions and other similar charges or encumbrances that individually and in the aggregate do not and would not interfere with or impair the ordinary conduct of the business of the Company and its Subsidiaries in any material respect; (d) Liens not created by the Company or any of its Subsidiaries that affect only the underlying fee interest of any real property leased by the Company or any Subsidiary; (e) zoning, building and other similar restrictions; and (f) Liens set forth on Part 12.2 of the Disclosure Schedule.

"**Person**" shall mean any individual, Entity or Governmental Body.

"**Principal Stockholders**" shall mean JMI Equity Fund VI, L.P., The Cassidy Family Trust U/A/D January 11, 2008 and Fidelity Investments Charitable Gift Fund.

"**Representatives**" of a Person shall mean such Person's officers, directors, employees, agents, attorneys, accountants, advisors and representatives.

"**Registration Rights Agreement**" shall mean the Registration Rights Agreement, dated as of March 19, 2008, by and among the Company and the stockholders party thereto.

"**Returns**" shall mean all Tax returns, declarations, statements, reports, claims for refund, and forms (including estimated Tax or information returns and reports) or other document relating to Taxes required under applicable Laws to be filed with any Tax Authority, including any schedule or attachment thereto, and including any amendment thereof.

"**Section 102 Trustee**" shall mean the trustee appointed by the Company under Section 102 for purposes of any equity incentive option plan of the Company.

"**SEC**" shall mean the United States Securities and Exchange Commission.

"**Securities**" shall mean Company Capital Stock, Company Stock Options, and Company Warrants.

"**Securities Consideration Fraction**" as to any Company Holder shall mean, as of any date of determination, a fraction obtained by dividing (1) such Company Holder's Holder Securities Amount as of such date of determination by (2) the Merger Consideration as of such date of determination.

"**Senior Credit Facility**" shall mean means that certain Credit Agreement dated as of November 30, 2015, by and among Merger Sub and the Company, as borrower, the lenders from time to time party thereto and SunTrust Bank, as administrative agent as in effect on the date hereof.

"**Share Consideration Fraction**" as to any Stockholder shall mean, as of any date of determination, a fraction obtained by dividing (1) such Stockholder's Stockholder Share Amount as of such date of determination by (2) the Total Share Amount as of such date of determination.

"**Sparkflow Merger Agreement**" shall mean that certain Agreement and Plan of Merger, dated as of June 12, 2015, by and among Intercept Interactive, SF Merger Sub LLC, Spark Flow LLC and Gabriel Sanchez Catena, in his capacity as Member Representative, as such agreement is in effect as of the date hereof and without giving effect to any amendments, waivers, or other modifications from and after the date hereof.

"**Specified Severance Obligations**" shall mean the severance obligations described in Part 12.3 of the Disclosure Schedule.

"**Stockholders**" shall mean any holder of Company Capital Stock.

"**Stockholders Agreement**" shall mean the Second Amended and Restated Stockholders Agreement, dated as of September 28, 2011, by and among the Company and the stockholders party thereto, as amended through the date hereof.

"**Subsidiary**" shall mean any Person of which (i) a majority of the outstanding share capital, voting securities, economic interests or other equity interests are owned, directly or indirectly, by the Company or (ii) the Company is entitled, directly or indirectly, to appoint a majority of the board of directors, board of managers or comparable body of such Person.

"**Tax**" (and, with correlative meaning, "**Taxes**" and "**Taxable**") shall mean any net income, alternative or add-on minimum tax, gross income, estimated, gross receipts, sales, use, ad valorem, value added, transfer, franchise, fringe benefit, share capital, profits, license, registration, withholding, payroll, social security (or equivalent), employment (including amounts payable under the Federal Insurance Contributions Act, Israeli social security or national health insurance payments), unemployment, disability, excise, severance, stamp, occupation, premium, property (real, tangible or intangible), environmental or windfall profit tax, custom duty or other tax, governmental fee or other like assessment or charge of any kind whatsoever, together with any interest, inflation linkage differentials (*hefreshei hatzmadah*), or any penalty, addition to tax or additional amount (whether disputed or not) imposed by any Governmental Body responsible for the imposition of any such tax (domestic or foreign) under applicable Law for the imposition of any Tax, including the IRS and the ITA (each, a "**Tax Authority**").

"**Tax Returns**" shall mean returns, reports and information statements with respect to Tax required to be filed by or on behalf of the Company with the U.S. Internal Revenue Service and any other Tax Authority domestic or foreign.

"**Transaction Cost Amount**" shall mean the aggregate amount of Transaction Costs of the Company or any Subsidiary whether paid or accrued prior to or after the Effective Time, including without limitation, the Transaction Costs payable to the Stockholders' Representative (excluding the Representative Fund paid out of the Closing Payment), Goodwin Procter, LLP, Morgan Stanley, 50% of the fees and expenses of the Paying Agent, 50% of the filing fees for the HSR Filing, the cost of the "tail" insurance policy and any related professional fees in accordance with Section 5.2(c)) hereof, as such amounts are set forth on the Transaction Costs Certificate.

"**Transaction Costs Certificate**" shall mean a certificate executed by the Chief Financial Officer of the Company dated as of the Closing Date, certifying the Transaction Cost Amount (including an itemized list of each Transaction Cost with a description of the nature of such expense and the Person to whom such expense was or is owed). The Transaction Costs Certificate shall include a representation of the Company, certified by the Chief Financial Officer of the Company, that such certificate includes all of the Transaction Costs paid or payable at any time prior to, at or following the Closing, it being the express intent of the parties hereto that to the maximum extent possible all the Transaction Costs be deducted in the calculation of the Merger Consideration and that there be no Transaction Costs to be indemnified pursuant to Section 9.3 hereof.

"**Transaction Documents**" shall mean this Agreement, including its Exhibits and Schedules and any document or agreement necessary to the consummation of the transactions contemplated in this Agreement; *provided*, that notwithstanding the foregoing, the documents entered into with respect to Parent or Purchaser's financing of the Merger shall not constitute "Transaction Documents".

"**Transaction Tax Deductions**" shall means the sum of all items of loss, deduction or credit resulting from or attributable to (A) all stay bonuses, sale bonuses, change in control payments, retention payments, synthetic equity or option cancellation payments or similar payments made or to be made by the Group Companies in connection with or resulting from the Closing, including the amount of any related employment and payroll Taxes, (B) all fees, expenses and interest (including amounts treated as interest for U.S. federal income Tax purposes) and any breakage fees or accelerated deferred financing fees incurred by the Company with respect to the payment of indebtedness in connection with the Closing, and (C) all fees, costs and expenses incurred by the Group Companies in connection with or incident to this Agreement and the transactions contemplated hereby, including any Transaction Costs and any legal, accounting and investment banking fees, costs and expenses. The parties agree to apply the safe harbor election set forth in Internal Revenue Service Revenue Procedure 2011-29 to determine the amount of permitted deductions for any success-based fees.

"**VAT**" shall mean value added tax payable in Israel in compliance with the Israel Value Added Tax Law-1975 or in the United Kingdom in compliance with the Value Added Tax Act 1994 and any other tax of a similar fiscal effect replacing or substituted for or levied in addition to the same.

"**Warrantholder**" shall mean any Person holding a Company Warrant.

EXHIBIT 4.15

This agreement has been included to provide investors and security holders with information regarding its terms. It is not intended to provide any other factual information about the any party to the agreement. The representations, warranties and covenants contained in this agreement were made only for purposes of such agreement and as of the specific dates therein, were solely for the benefit of the parties to such agreement, and may be subject to limitations agreed upon by the contracting parties, including being qualified by confidential disclosures exchanged between the parties in connection with the execution of the agreement. The representations and warranties may have been made for the purposes of allocating contractual risk between the parties to the agreement instead of establishing those matters as facts, and may be subject to standards of materiality applicable to the contracting parties that differ from those applicable to investors. Investors are not third party beneficiaries under this agreement and should not rely on the representations, warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or condition of any party to the agreement or any of their respective subsidiaries or affiliates. Moreover, information concerning the subject matter of the representations and warranties may change after the date of the agreement, which subsequent information may or may not be fully reflected in the Company's public disclosures.

CREDIT AGREEMENT

dated as of November 30, 2015

among

OR MERGER, INC.
and
INTERACTIVE HOLDING CORP.
as Borrower

INCREDITONE INC.
as Holdings

THE LENDERS FROM TIME TO TIME PARTY HERETO

and

SUNTRUST BANK
as Administrative Agent

SILICON VALLEY BANK
As Syndication Agent

SUNTRUST ROBINSON HUMPHREY, INC. and
SILICON VALLEY BANK
as Joint Lead Arrangers and Joint Book Runners

TABLE OF CONTENTS

Schedules

Exhibits

CREDIT AGREEMENT

THIS CREDIT AGREEMENT (this "Agreement") is made and entered into as of November 30, 2015, by and among **OR MERGER, INC.**, a Delaware corporation ("Mergerco" and upon the Closing Date Acquisition, **INTERACTIVE HOLDING CORP.**, a Delaware corporation (the "Borrower")), **INCREDITONE INC.**, a Delaware corporation ("Holdings") the several banks and other financial institutions and lenders from time to time party hereto (the "Lenders"), and SUNTRUST BANK, in its capacity as administrative agent for the Lenders (the "Administrative Agent"), as issuing bank (the "Issuing Bank") and as swingline lender (the "Swingline Lender").

W I T N E S S E T H:

WHEREAS, the Borrower has requested that the Lenders make term loans in an aggregate principal amount equal to $50,000,000 to the Borrower;

WHEREAS, subject to the terms and conditions of this Agreement, the Lenders, the Issuing Bank and the Swingline Lender, to the extent of their respective Commitments as defined herein, are willing severally to make the term loans to the Borrower;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the Borrower, the Lenders, the Administrative Agent, the Issuing Bank and the Swingline Lender agree as follows:

ARTICLE I
DEFINITIONS; CONSTRUCTION

Section 1.1. Definitions. In addition to the other terms defined herein, the following terms used herein shall have the meanings herein specified (to be equally applicable to both the singular and plural forms of the terms defined):

"Acquisition" shall mean (a) any Investment by any Borrower Loan Party in any other Person, pursuant to which such Person shall become a Subsidiary of the Borrower or any of its Subsidiaries or shall be merged with the Borrower or any other Borrower Loan Party or (b) any acquisition by any Borrower Loan Party of the assets of any Person (other than a Subsidiary of the Borrower) that constitute all or substantially all of the assets of such Person or a division or business unit of such Person, whether through purchase, merger or other business combination or transaction (and substantially all of such assets, division or business unit are located in the United States). With respect to a determination of the amount of an Acquisition, such amount shall include all consideration (including any deferred payments or other contingent consideration) set forth in the applicable agreements governing such Acquisition as well as the assumption of any Indebtedness in connection therewith.

"Additional Lender" shall have the meaning set forth in Section 2.23.

"Adjusted LIBO Rate" shall mean, with respect to each Interest Period for a Eurodollar Loan, (i) the rate *per annum* equal to the London interbank offered rate for deposits in U.S. Dollars appearing on Reuters screen page LIBOR 01 (or on any successor or substitute page of such service or any successor to such service, or such other commercially available source providing such quotations as may be designated by the Administrative Agent from time to time) at approximately11:00 A.M. (London time) two (2) Business Days prior to the first day of such Interest Period, with a maturity comparable to such Interest Period, divided by (ii) a percentage equal to 100% minus the then stated maximum rate of all reserve requirements (including any marginal, emergency, supplemental, special or other reserves and without benefit of credits for proration, exceptions or offsets that may be available from time to time) applicable to any member bank of the Federal Reserve System in respect of Eurocurrency liabilities as defined in Regulation D (or any successor category of liabilities under Regulation D); *provided*, that (x) if the rate referred to in clause (i) is less than zero, such rate shall be deemed to be zero for purposes of this Agreement and (y) if the rate referred to in clause (i) above is not available at any such time for any reason, then the rate referred to in clause (i) shall instead be the interest rate *per annum*, as determined by the Administrative Agent, to be the arithmetic average of the rates *per annum* at which deposits in U. S. Dollars in an amount equal to the amount of such Eurodollar Loan, with a maturity comparable to such Interest Period, are offered by major banks in the London interbank market to the Administrative Agent at approximately 11:00 A.M. (London time), two (2) Business Days prior to the first day of such Interest Period (and if such offered rate referred to in this clause (y) is less than zero, such rate shall be deemed to be zero for purposes of this Agreement).

"Administrative Agent" shall have the meaning set forth in the introductory paragraph hereof.

"Administrative Questionnaire" shall mean, with respect to each Lender, an administrative questionnaire in the form provided by the Administrative Agent and submitted to the Administrative Agent duly completed by such Lender.

"Affiliate" shall mean, as to any Person, any other Person that directly, or indirectly through one or more intermediaries, Controls, is Controlled by, or is under common Control with, such Person. For the purposes of this definition, "Control" shall mean the power, directly or indirectly, either to (i) vote 5% or more of the securities having ordinary voting power for the election of directors (or persons performing similar functions) of a Person or (ii) direct or cause the direction of the management and policies of a Person, whether through the ability to exercise voting power, by control or otherwise. The terms "Controlled by" and "under common Control with" have the meanings correlative thereto.

"Aggregate Revolving Commitment Amount" shall mean the aggregate principal amount of the Aggregate Revolving Commitments from time to time. On the Closing Date, the Aggregate Revolving Commitment Amount is $0.

"Aggregate Revolving Commitments" shall mean, collectively, all Revolving Commitments of all Lenders at any time outstanding.

"Anti-Corruption Laws" means all laws, rules, and regulations of any jurisdiction applicable to Holdings or its Subsidiaries from time to time concerning or relating to bribery or corruption.

"Applicable Lending Office" shall mean, for each Lender and for each Type of Loan, the "Lending Office" of such Lender (or an Affiliate of such Lender) designated for such Type of Loan in the Administrative Questionnaire submitted by such Lender or such other office of such Lender (or such Affiliate of such Lender) as such Lender may from time to time specify to the Administrative Agent and the Borrower as the office by which its Loans of such Type are to be made and maintained.

"Applicable Margin" shall mean (a) 4.50% *per annum* with respect to Base Rate Loans and (b) 5.50% *per annum* with respect to Eurodollar Loans.

"Applicable Percentage" shall mean 0.50% *per annum*.

"Approved Fund" shall mean any Person (other than a natural Person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business and that is administered or managed by (i) a Lender, (ii) an Affiliate of a Lender or (iii) an entity or an Affiliate of an entity that administers or manages a Lender.

"Assignment and Acceptance" shall mean an assignment and acceptance entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 10.4(b)) and accepted by the Administrative Agent, in the form of Exhibit A or any other form approved by the Administrative Agent.

"Availability Period" shall mean the period from the Closing Date to but excluding the Revolving Commitment Termination Date.

"Bank Product Obligations" shall mean, collectively, all obligations and other liabilities of any Loan Party to any Bank Product Provider arising with respect to any Bank Products.

"Bank Product Provider" shall mean any Person that, at the time it provides any Bank Product to any Loan Party, (i) is a Lender or an Affiliate of a Lender and (ii) except when the Bank Product Provider is SunTrust Bank and its Affiliates, has provided prior written notice to the Administrative Agent which has been acknowledged by the Borrower of (x) the existence of such Bank Product, (y) the maximum dollar amount of obligations arising thereunder (the "Bank Product Amount") and (z) the methodology to be used by such parties in determining the obligations under such Bank Product from time to time; provided, that, for so long as Comerica Bank has a Revolving Commitment or holds a Term Loan, neither Comerica Bank nor the Borrower shall be required to comply with clause (ii) immediately above. In no event shall any Bank Product Provider acting in such capacity be deemed a Lender for purposes hereof to the extent of and as to Bank Products except that each reference to the term "Lender" in Article IX and Section 10.3(b) shall be deemed to include such Bank Product Provider and in no event shall the approval of any such person in its capacity as Bank Product Provider be required in connection with the release or termination of any security interest or Lien of the Administrative Agent. The Bank Product Amount may be changed from time to time upon written notice to the Administrative Agent by the applicable Bank Product Provider. No Bank Product Amount may be established at any time that a Default or Event of Default exists.

"Bank Products" shall mean any of the following services provided to any Loan Party by any Bank Product Provider: (a) any treasury or other cash management services, including deposit accounts, automated clearing house (ACH) origination and other funds transfer, depository (including cash vault and check deposit), zero balance accounts and sweeps, return items processing, controlled disbursement accounts, positive pay, lockboxes and lockbox accounts, account reconciliation and information reporting, payables outsourcing, payroll processing, trade finance services, investment accounts and securities accounts, and (b) card services, including credit cards (including purchasing cards and commercial cards), prepaid cards, including payroll, stored value and gift cards, merchant services processing, and debit card services.

"Base Rate" shall mean the highest of (i) the rate which the Administrative Agent announces from time to time as its prime lending rate, as in effect from time to time, (ii) the Federal Funds Rate, as in effect from time to time, plus one-half of one percent (0.50%) *per annum* and (iii) the Adjusted LIBO Rate determined on a daily basis for an Interest Period of one (1) month, plus one percent (1.00%) *per annum* (any changes in such rates to be effective as of the date of any change in such rate). The Administrative Agent's prime lending rate is a reference rate and does not necessarily represent the lowest or best rate actually charged to any customer. The Administrative Agent may make commercial loans or other loans at rates of interest at, above, or below the Administrative Agent's prime lending rate.

"Beneficial Owner" shall mean, with respect to any amount paid hereunder or under any other Loan Document, the Person that is the beneficial owner, for U.S. federal income tax purposes, of such payment.

"Borrower" shall have the meaning set forth in the introductory paragraph hereof.

"Borrower Loan Parties" shall mean, collectively, the Borrower and the Subsidiary Loan Parties and "Borrower Loan Party" shall mean any of the Borrower or any Subsidiary Loan Party.

"Borrowing" shall mean a borrowing consisting of (i) Loans of the same Class and Type, made, converted or continued on the same date and, in the case of Eurodollar Loans, as to which a single Interest Period is in effect, or (ii) a Swingline Loan.

"Business Day" shall mean any day other than (i) a Saturday, Sunday or other day on which commercial banks in Atlanta, Georgia or Redmond, Washington are authorized or required by law to close and (ii) if such day relates to a Borrowing of, a payment or prepayment of principal or interest on, a conversion of or into, or an Interest Period for, a Eurodollar Loan or a notice with respect to any of the foregoing, any day on which banks are not open for dealings in Dollar deposits in the London interbank market.

"Capital Expenditures" shall mean, for any period, without duplication, (i) the additions to property, plant and equipment and other capital expenditures of the Borrower and its Subsidiaries that are (or would be) set forth on a consolidated statement of cash flows of the Borrower for such period prepared in accordance with GAAP, (ii) Capital Lease Obligations incurred by the Borrower and its Subsidiaries during such period and (iii) Capitalized Software Expenditures, excluding any expenditure to the extent such expenditure is part of the aggregate amounts payable in connection with, or other consideration for, any Permitted Acquisition consummated during or prior to such period.

"Capital Lease Obligations" of any Person shall mean all obligations of such Person to pay rent or other amounts under any lease (or other arrangement conveying the right to use) of real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

"Capitalized Lease" shall mean, as applied to any Person, any lease of any property (whether real, personal or mixed) with respect to which the discounted present value of the rental obligations of such Person as lessee thereunder, in conformity with GAAP, is required to be capitalized on the balance sheet of that Person.

"Capitalized Software Expenditures": for any period, the aggregate of all expenditures (whether paid in cash or accrued as liabilities) by the Borrower and its Subsidiaries during such period in respect of purchased software or internally developed software and software enhancements that, in conformity with GAAP, are or are required to be reflected as capitalized costs on the consolidated balance sheet of the Borrower and its Subsidiaries.

"Capital Stock" shall mean all shares, options, warrants, general or limited partnership interests, membership interests or other equivalents (regardless of how designated) of or in a corporation, partnership, limited liability company or equivalent entity whether voting or nonvoting, including common stock, preferred stock or any other "equity security" (as such term is defined in Rule 3a11 1 of the General Rules and Regulations promulgated by the Securities and Exchange Commission under the Exchange Act).

"Cash Collateralize" shall mean, in respect of any obligations, to provide and pledge (as a first priority perfected security interest) cash collateral for such obligations in Dollars with the Administrative Agent pursuant to documentation in form and substance reasonably satisfactory to the Administrative Agent (and "Cash Collateralized" and "Cash Collateralization" have the corresponding meanings).

"CFC" means a Person that is a controlled foreign corporation under Section 957 of the Code.

"Change in Control" shall mean the occurrence of one or more of the following events: (i) any sale, lease, exchange or other transfer (in a single transaction or a series of related transactions) of all or substantially all of the assets of Holdings to any Person or "group" (within the meaning of the Exchange Act and the rules of the Securities and Exchange Commission thereunder in effect on the date hereof), (ii) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or "group" (within the meaning of the Exchange Act and the rules of the Securities and Exchange Commission thereunder as in effect on the date hereof) of 35% or more of the outstanding shares of the voting equity interests of the Parent, (iii) the Parent ceases to own (directly or indirectly) and control 100% of the Capital Stock of Holdings, (iv) Holdings ceases to own directly and control 100% of the Capital Stock of the Borrower or (v) during any period of 24 consecutive months, a majority of the members of the board of directors or other equivalent governing body of the Parent cease to be composed of individuals who are Continuing Directors.

"Change in Law" shall mean (i) the adoption of any applicable law, rule or regulation after the date of this Agreement, (ii) any change in any applicable law, rule or regulation, or any change in the interpretation, implementation or application thereof, by any Governmental Authority after the date of this Agreement, or (iii) compliance by any Lender (or its Applicable Lending Office) or the Issuing Bank (or, for purposes of Section 2.18(b), by the Parent Company of such Lender or the Issuing Bank, if applicable) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement; provided that for purposes of this Agreement, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "Change in Law", regardless of the date enacted, adopted or issued.

"Class", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are Revolving Loans, Swingline Loans or Term Loans and when used in reference to any Commitment, refers to whether such Commitment is a Revolving Commitment, a Swingline Commitment or a Term Loan Commitment.

"Closing Date" shall mean the date on which the conditions precedent set forth in Sections 3.1 and 3.2 have been satisfied or waived in accordance with Section 10.2.

"Closing Date Acquisition" shall mean the acquisition by Holdings of 100% of the Capital Stock of the Target pursuant to the terms of the Closing Date Acquisition Agreement and the Closing Date Merger.

"Closing Date Acquisition Agreement" shall mean that certain Agreement and Plan of Merger, dated as of November 30, 2015, by and among the Parent, Holdings, Mergerco, the Target and the Seller, together with all exhibits and schedules (including disclosure schedules) thereto, as in effect on the Closing Date.

"Closing Date Acquisition Documents" shall mean, collectively, the Closing Date Acquisition Agreement, Closing Date Certificate of Merger, and each other document, instrument, certificate and agreement executed and delivered in connection therewith.

"Closing Date Certificate of Merger" shall mean the Certificate of Merger, dated as of November 30, 2015, to be filed in the office of the Secretary of State of the State of Delaware in order to effect the Closing Date Merger.

"Closing Date Merger" shall mean the merger (by the filing of the Closing Date Certificate of Merger in the office of the Secretary of State of the State of Delaware) of Mergerco with and into the Target, with the Target as the surviving corporation.

"Code" shall mean the Internal Revenue Code of 1986, as amended and in effect from time to time.

"Collateral" shall mean all tangible and intangible property, real and personal, of any Loan Party that is or purports to be the subject of a Lien to the Administrative Agent to secure the whole or any part of the Obligations or any Guarantee thereof, and shall include, without limitation, all casualty insurance proceeds and condemnation awards with respect to any of the foregoing.

"Collateral Access Agreement" shall mean each landlord waiver granted to, and in form and substance reasonably acceptable to, the Administrative Agent.

"Collateral Documents" shall mean, collectively, the Guaranty and Security Agreement, the Pledge Agreement, any Real Estate Documents, the Control Account Agreements, the Perfection Certificate, all Copyright Security Agreements, all Patent Security Agreements, all Trademark Security Agreements, all Collateral Access Agreements, all assignments of key man life insurance policies and all other instruments and agreements now or hereafter securing or perfecting the Liens securing the whole or any part of the Obligations or any Guarantee thereof, all UCC financing statements, fixture filings and stock powers, and all other documents, instruments, agreements and certificates executed and delivered by any Loan Party to the Administrative Agent and the Lenders in connection with the foregoing.

"Commitment" shall mean a Revolving Commitment, a Swingline Commitment or a Term Loan Commitment or any combination thereof (as the context shall permit or require).

"Commitment Fee" shall have the meaning set forth in Section 2.14(b).

"Commodity Exchange Act" shall mean the Commodity Exchange Act (7 U.S.C. § 1 et seq.), as amended and in effect from time to time, and any successor statute.

"Compliance Certificate" shall mean a certificate from the principal executive officer or the principal financial officer of the Borrower in the form of, and containing the certifications set forth in, the certificate attached hereto as Exhibit 5.1(d).

"Consolidated EBITDA" shall mean, for the Borrower and its Subsidiaries for any period, an amount equal to the sum of (i) Consolidated Net Income for such period plus (ii) to the extent deducted in determining Consolidated Net Income for such period and to the extent not excluded from Consolidated Net Income pursuant to the definition thereof, and without duplication, (A) Consolidated Interest Expense, (B) income tax expense determined on a consolidated basis in accordance with GAAP, (C) depreciation and amortization determined on a consolidated basis in accordance with GAAP, (D) non-cash charges related to the mark-to-market treatment of obligations under Hedging Transactions, (E) any extraordinary, unusual or non-recurring expenses or losses or restructuring charges or costs, all as determined in accordance with GAAP; provided, that, the amount under this clause (E) shall not exceed (x) $1,250,000 in the aggregate for any period of four (4) consecutive Fiscal Quarter period through December 31, 2016 and (y) and $1,000,000 in the aggregate during any Fiscal Year after December 31, 2016; (F) transaction costs and expenses paid in cash in connection with the Related Transactions in an aggregate amount not to exceed $13,756,501; and (G) all non-cash foreign currency exchange losses or charges and non-cash expenses deducted as a result of any grant of Capital Stock to employees, officers or directors for such period (but excluding any non-cash loss, charge or expense that is an accrual of or a reserve for a cash expenditure or payment to be made, or anticipated to be made, in a future period); provided that, for purposes of calculating compliance with the financial covenants set forth in Article VI, to the extent that during such period any Borrower Loan Party shall have consummated a Permitted Acquisition or other Acquisition approved in writing by the Required Lenders, or any sale, transfer or other disposition of any Person, business, property or assets, Consolidated EBITDA shall be calculated on a Pro Forma Basis with respect to such Person, business, property or assets so acquired or disposed of. Notwithstanding the foregoing, but subject to any adjustment set forth above with respect to the immediately preceding proviso, Consolidated EBITDA shall be $10,118,601, $667,379, $6,920,800 and $6,645,632 for the Fiscal Quarters ended December 31, 2014, March 31, 2015, June 30, 2015 and September 30, 2015, respectively.

"Consolidated Fixed Charges" shall mean, for the Borrower and its Subsidiaries for any period, the sum (without duplication) of (i) Consolidated Interest Expense for such period, (ii) scheduled principal payments made on Consolidated Total Debt (including the Term Loan but excluding the Revolving Loans) during such period and (iii) payments in respect of Capital Lease Obligations of the Borrower and its Subsidiaries during such period. For purposes of calculating the Consolidated Fixed Charges for the four quarters ending December 31, 2015, March 31, 2016, June 30, 2016 and September 30, 2016, scheduled payments of principal of Consolidated Total Debt shall be deemed to be $625,000 for each such quarter. For purposes of calculating Consolidated Fixed Charges for the December 31, 2015 determination date, Consolidated Interest Expense shall be deemed to be $3,000,000. For the March 31, 2016 through December 31, 2016 determination dates, Consolidated Interest Expense shall be determined on a cumulative basis for the period beginning January 1, 2016 and ending on the applicable date of determination and annualized. For the determination dates ending March 31, 2017 and thereafter, Consolidated Interest Expense shall be determined on a trailing four quarter basis.

"Consolidated Interest Expense" shall mean for any period the consolidated interest expense of the Borrower and its Subsidiaries for such period (including all imputed interest on Capital Leases), all as determined in accordance with GAAP.

"Consolidated Net Income" shall mean, for the Borrower and its Subsidiaries for any period, the net income (or loss) of the Borrower and its Subsidiaries for such period determined on a consolidated basis in accordance with GAAP, but excluding therefrom (to the extent otherwise included therein) (i) any extraordinary gains or losses, (ii) any gains attributable to write-ups of assets or the sale of assets (other than the sale of inventory in the ordinary course of business), (iii) any equity interest of the Borrower or any Subsidiary of the Borrower in the unremitted earnings of any Person that is not a Subsidiary; (iv) the income of any Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Subsidiary of that income is not at the time permitted by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Subsidiary; and (v) any income (or loss) of any Person accrued prior to the date it becomes a Subsidiary or is merged into or consolidated with the Borrower or any Subsidiary or the date that such Person's assets are acquired by the Borrower or any Subsidiary.

"Consolidated Total Debt" shall mean, as of any date, all Funded Debt of the Borrower and its Subsidiaries measured on a consolidated basis as of such date.

"Continuing Director" shall mean, with respect to any period, any individuals (A) who were members of the board of directors or other equivalent governing body of the Borrower on the first day of such period, (B) whose election or nomination to that board or equivalent governing body was approved by individuals referred to in clause (A) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body, or (C) whose election or nomination to that board or other equivalent governing body was approved by individuals referred to in clauses (A) and (B) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body.

"Contractual Obligation" of any Person shall mean any provision of any security issued by such Person or of any agreement, instrument or undertaking under which such Person is obligated or by which it or any of the property in which it has an interest is bound.

"Control Account Agreement" shall mean any tri-party agreement by and among a Loan Party, the Administrative Agent and a depositary bank or securities intermediary at which such Loan Party maintains a Controlled Account, in each case in form and substance satisfactory to the Administrative Agent.

"Controlled Account" shall have the meaning set forth in Section 5.11.

"Copyright" shall have the meaning assigned to such term in the Guaranty and Security Agreement.

"Copyright Security Agreement" shall mean any Copyright Security Agreement executed by a Loan Party owning registered Copyrights or applications for Copyrights in favor of the Administrative Agent for the benefit of the Secured Parties, both on the Closing Date and thereafter.

"Covered Personal Information" shall mean the following information Holdings or any of its Subsidiaries collect, use or disclose from or about an individual: (i) first and last name; (ii) home or other physical address, including street name and city or town; (iii) email address or other online contact information, such as a user identifier or screen name; (iv) persistent identifier, such as IP address or other machine I.D.; (v) telephone number, including home telephone number and mobile telephone number; (vi) physical location; (vii) Protected Health Information (as such term is defined in HIPAA); (viii) Nonpublic Personal Information (as such term is defined in GLBA); or (ix) any other information from or about an individual consumer that alone or in combination with other information could be used to identify an individual or otherwise facilitate decisions regarding individuals.

"Cure Period" has the meaning specified in Section 8.3.

"Cure Right" has the meaning specified in Section 8.3.

"Current Assets" shall mean, with respect to any Person, all current assets of such Person as of any date of determination calculated in accordance with GAAP, but excluding cash, cash equivalents and debts due from Affiliates.

"Current Liabilities" shall mean, with respect to any Person, all liabilities of such Person that should, in accordance with GAAP, be classified as current liabilities as of any date of determination, and in any event including all Indebtedness payable on demand or within one year from such date of determination without any option on the part of the obligor to extend or renew beyond such year and all accruals for federal or other taxes based on or measured by income and payable within such year, but excluding the current portion of long-term debt required to be paid within one year and the aggregate outstanding principal balance of the Revolving Loans and the Swingline Loans.

"Debtor Relief Laws" shall mean the Bankruptcy Code of the United States of America, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief laws of the United States or other applicable jurisdictions from time to time in effect.

"Default" shall mean any condition or event that, with the giving of notice or the lapse of time or both, would constitute an Event of Default.

"Default Interest" shall have the meaning set forth in Section 2.13(c).

"Defaulting Lender" shall mean, subject to Section 2.26(c), any Lender that (a) has failed to (i) fund all or any portion of its Loans within two (2) Business Days of the date such Loans were required to be funded hereunder unless such Lender notifies the Administrative Agent and the Borrower in writing that such failure is the result of such Lender's determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable default, shall be specifically identified in such writing) has not been satisfied, or (ii) pay to the Administrative Agent, any Issuing Bank, any Swingline Lender or any other Lender any other amount required to be paid by it hereunder (including in respect of its participation in Letters of Credit or Swingline Loans) within two (2) Business Days of the date when due, (b) has notified the Borrower, the Administrative Agent or any Issuing Bank or Swingline Lender in writing that it does not intend to comply with its funding obligations hereunder, or has made a public statement to that effect (unless such writing or public statement relates to such Lender's obligation to fund a Loan hereunder and states that such position is based on such Lender's determination that a condition precedent to funding (which condition precedent, together with any applicable default, shall be specifically identified in such writing or public statement) cannot be satisfied), (c) has failed, within three (3) Business Days after written request by the Administrative Agent or the Borrower, to confirm in writing to the Administrative Agent and the Borrower that it will comply with its prospective funding obligations hereunder (provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon receipt of such written confirmation by the Administrative Agent and the Borrower), or (d) has, or has a direct or indirect parent company that has, (i) become the subject of a proceeding under any Debtor Relief Law, or (ii) had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or assets, including the Federal Deposit Insurance Corporation or any other state or federal regulatory authority acting in such a capacity; provided that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any equity interest in that Lender or any direct or indirect parent company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender. Any determination by the Administrative Agent that a Lender is a Defaulting Lender under clauses (a) through (d) above shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender (subject to Section 2.26(b)) upon delivery of written notice of such determination to the Borrower, each Issuing Bank, each Swingline Lender and each Lender.

"Disqualified Capital Stock" means any Capital Stock which, by its terms (or by the terms of any security or other Capital Stock into which it is convertible or for which it is exchangeable), or upon the happening of any event or condition (a) matures or is mandatorily redeemable pursuant to a sinking fund obligation or otherwise, (b) is redeemable at the option of the holder thereof, in whole or in part, (c) provides for the scheduled payments of dividends in cash or otherwise or (d) is or becomes convertible into or exchangeable for Indebtedness or any other Capital Stock that would constitute Disqualified Capital Stock.

"Dollar(s)" and the sign "$" shall mean lawful money of the United States.

"Domestic Subsidiary" shall mean each Subsidiary of Holdings that is organized under the laws of the United States or any state or district thereof.

"Electronic System" means any electronic system, including e-mail, e-fax, Intralinks®, ClearPar®, Debt Domain, SyndTrak and any other Internet or extranet-based site, whether such electronic system is owned, operated or hosted by the Administrative Agent and any Issuing Bank and any of its respective Related Parties or any other Person, providing for access to data protected by passcodes or other security system.

"Environmental Indemnity" shall mean each environmental indemnity made by each Loan Party with Real Estate required to be pledged as Collateral in favor of the Administrative Agent for the benefit of the Secured Parties, in each case in form and substance satisfactory to the Administrative Agent.

"Environmental Laws" shall mean all laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions, notices or binding agreements issued, promulgated or entered into by or with any Governmental Authority relating in any way to the environment, preservation or reclamation of natural resources, the management, Release or threatened Release of any Hazardous Material or to health and safety matters.

"Environmental Liability" shall mean any liability, contingent or otherwise (including any liability for damages, costs of environmental investigation and remediation, costs of administrative oversight, fines, natural resource damages, penalties or indemnities), of the Borrower or any of its Subsidiaries directly or indirectly resulting from or based upon (i) any actual or alleged violation of any Environmental Law, (ii) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (iii) any actual or alleged exposure to any Hazardous Materials, (iv) the Release or threatened Release of any Hazardous Materials or (v) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"Equity Contribution" shall mean the contribution of at least $89,733,892.88 to Incredimail Inc., a wholly-owned Subsidiary of the Parent ("Incredimail"), by the Parent, and immediately thereafter a corresponding contribution to Holdings, a wholly-owned Subsidiary of Incredimail, by Incredimail, in each case in the form of a cash contribution to the equity capital of such Person or cash in exchange for a non-interest bearing capital note, provided such capital note shall be reported by the such Person as equity on its U.S. federal tax returns, in connection with the Closing Date Acquisition.

"Equity Documents" shall mean the Chief Financial Officers' Certificate dated the Closing Date executed by the Chief Financial Officer of each of the Parent, Incredimail Inc. and Holdings, and all other material documents relating to the Equity Contribution, including, without limitation, all subscription agreements, management agreements, operating agreements, investment rights agreements and other member agreements.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time, and any successor statute and the regulations promulgated and rulings issued thereunder.

"ERISA Affiliate" shall mean any person that for purposes of Title I or Title IV of ERISA or Section 412 of the Code would be deemed at any relevant time to be a "single employer" or otherwise aggregated with Holdings or any of its Subsidiaries under Section 414(b), (c), (m) or (o) of the Code or Section 4001 of ERISA.

"ERISA Event" shall mean (i) any "reportable event" as defined in Section 4043 of ERISA with respect to a Plan (other than an event as to which the PBGC has waived under subsection .22, .23, .25, .27 or .28 of PBGC Regulation Section 4043 the requirement of Section 4043(a) of ERISA that it be notified of such event); (ii) any failure to make a required contribution to any Plan that would result in the imposition of a lien or other encumbrance or the provision of security under Section 430 of the Code or Section 303 or 4068 of ERISA, or the arising of such a lien or encumbrance, there being or arising any "unpaid minimum required contribution" or "accumulated funding deficiency" (as defined or otherwise set forth in Section 4971 of the Code or Part 3 of Subtitle B of Title 1 of ERISA), whether or not waived, or any filing of any request for or receipt of a minimum funding waiver under Section 412 of the Code or Section 303 of ERISA with respect to any Plan or Multiemployer Plan, or that such filing may be made, or any determination that any Plan is, or is expected to be, in at-risk status under Title IV of ERISA; (iii) any incurrence by Holdings, any of its Subsidiaries or any of their respective ERISA Affiliates of any liability under Title IV of ERISA with respect to any Plan or Multiemployer Plan (other than for premiums due and not delinquent under Section 4007 of ERISA); (iv) any institution of proceedings, or the occurrence of an event or condition which would reasonably be expected to constitute grounds for the institution of proceedings by the PBGC, under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan; (v) any incurrence by Holdings, any of its Subsidiaries or any of their respective ERISA Affiliates of any liability with respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan, or the receipt by Holdings, any of its Subsidiaries or any of their respective ERISA Affiliates of any notice that a Multiemployer Plan is in endangered or critical status under Section 305 of ERISA; (vi) any receipt by Holdings, any of its Subsidiaries or any of their respective ERISA Affiliates of any notice, or any receipt by any Multiemployer Plan from Holdings, any of its Subsidiaries or any of their respective ERISA Affiliates of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA; (vii) engaging in a non-exempt prohibited transaction within the meaning of Section 4975 of the Code or Section 406 of ERISA; or (viii) any filing of a notice of intent to terminate any Plan if such termination would require material additional contributions in order to be considered a standard termination within the meaning of Section 4041(b) of ERISA, any filing under Section 4041(c) of ERISA of a notice of intent to terminate any Plan, or the termination of any Plan under Section 4041(c) of ERISA.

"Eurodollar", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, bears interest at a rate determined by reference to the Adjusted LIBO Rate.

"Event of Default" shall have the meaning set forth in Section 8.1.

"Excess Cash Flow" shall mean, without duplication, with respect to any Fiscal Year of the Borrower and its Subsidiaries, Consolidated Net Income for such Fiscal Year plus (a) to the extent deducted in determining Consolidated Net Income, depreciation and amortization, plus decreases or minus increases (as the case may be) in (b) Working Capital, minus (c) Unfinanced Cash Capital Expenditures during such Fiscal Year and the principal portion of any Capitalized Leases, minus (d) the amount of all scheduled or mandatory principal payments (other than mandatory prepayments made pursuant to Section 2.12(c)) paid in cash in respect of Funded Debt (excluding prepayments of Revolving Loans and Swingline Loans), minus (e) all voluntary prepayments of principal in respect of the Term Loans pursuant to Section 2.11, minus (f) the cash portion of the purchase price for any Permitted Acquisition, excluding any such portion financed with money borrowed or proceeds from any issuance of Capital Stock.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended and in effect from time to time.

"Excluded Equity Contribution" means a Permitted Equity Issuance (other than the Equity Contribution and the Specified Equity Contribution) that is designated as an "Excluded Equity Contribution" in a certificate from a Responsible Officer of the Borrower on the date made, the proceeds of which are used solely for the purpose of providing for the working capital needs of the Borrower and its Subsidiaries (and not for the purpose of making any Investments by the Borrower or its Subsidiaries).

"Excluded Swap Obligation" shall mean, with respect to any Guarantor, any Swap Obligation if, and to the extent that, all or a portion of the Guarantee of such Guarantor of, or the grant by such Guarantor of a security interest to secure, such Swap Obligation (or any Guarantee thereof) is or becomes illegal under the Commodity Exchange Act or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof) by virtue of such Guarantor's failure for any reason to constitute an "eligible contract participant" as defined in the Commodity Exchange Act at the time the Guarantee of such Guarantor becomes effective with respect to such related Swap Obligation. If a Swap Obligation arises under a master agreement governing more than one swap, such exclusion shall apply only to the portion of such Swap Obligation that is attributable to swaps for which such Guarantee or security interest is or becomes illegal.

"Excluded Taxes" shall mean any of the following Taxes imposed on or with respect to a Recipient or required to be withheld or deducted from a payment to a Recipient, (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of such Recipient being organized under the laws of, or having (or having had) its principal office or, in the case of any Lender, its applicable lending office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) in the case of a Lender, U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Lender with respect to an applicable interest in a Loan or Commitment pursuant to a law in effect on the date on which (i) such Lender acquires such interest in the Loan or Commitment (other than pursuant to an assignment request by the Borrower under Section 2.25) or (ii) such Lender changes its lending office, except in each case to the extent that, pursuant to Section 2.20, amounts with respect to such Taxes were payable either to such Lender's assignor immediately before such Lender became a party hereto or to such Lender immediately before it changed its lending office, (c) Taxes attributable to such Recipient's failure to comply with Section 2.20 and (d) any U.S. federal withholding Taxes imposed under FATCA.

"Existing Credit Agreement" shall mean that certain Amended and Restated Revolving Credit and Term Loan Agreement, dated as of April 17, 2014, by and among the Target, Intercept Interactive Inc., Jambo Media LLC, the lenders from time to time parties thereto and Comerica Bank, as the administrative agent, as amended or modified from time to time.

"Existing Lenders" shall mean all lenders parties to the Existing Credit Agreement on the Closing Date.

"Fair Market Value" shall mean, with respect to any asset or group of assets on any date of determination, the price in cash obtainable in a sale of such asset at such date of determination assuming a sale by a willing seller to a willing purchaser dealing at arm's length and arranged in an orderly manner over a reasonable period of time having regard to the nature and characteristics of such asset, as reasonably determined in good faith by the Borrower.

"FASB ASC" shall mean the Accounting Standards Codification of the Financial Accounting Standards Board.

"FATCA" shall mean Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof and any agreements entered into pursuant to Section 1471(b)(1) of the Code.

"Federal Funds Rate" shall mean, for any day, the rate *per annum* (rounded upwards, if necessary, to the next 1/100 of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with member banks of the Federal Reserve System arranged by Federal funds brokers, as published by the Federal Reserve Bank of New York on the next succeeding Business Day or, if such rate is not so published for any Business Day, the Federal Funds Rate for such day shall be the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day on such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by the Administrative Agent.

"Fee Letter" shall mean that certain fee letter, dated October 27, 2015, executed by SunTrust Robinson Humphrey, Inc. and accepted by the Borrower.

"Fiscal Quarter" shall mean any fiscal quarter of the Borrower.

"Fiscal Year" shall mean any fiscal year of the Borrower.

"Fixed Charge Coverage Ratio" shall mean, as of any date, the ratio of (a) Consolidated EBITDA (excluding, to the extent included therein, any amounts paid in connection with the Investment made under the Spark Merger Agreement (as defined in the Closing Date Acquisition Agreement)) minus Unfinanced Cash Capital Expenditures minus the aggregate amount of taxes paid in cash by the Borrower and its Subsidiaries minus the aggregate amount of Restricted Payments (other than Restricted Payments made pursuant to Section 7.5(i) and Restricted Payments made by any Subsidiary of the Borrower to the Borrower or to any wholly-owned Subsidiary of the Borrower) minus, to the extent not deducted in determining Consolidated EBITDA, earn-out payments made during such period (excluding, to the extent included therein, any earn-out payments made pursuant to the Spark Merger Agreement (as defined in the Closing Date Acquisition Agreement)) to (b) Consolidated Fixed Charges, in each case measured for the four consecutive Fiscal Quarters ending on or immediately prior to such date for which financial statements are required to have been delivered under this Agreement.

"Flood Insurance Laws" shall mean, collectively, (i) the National Flood Insurance Act of 1968 as now or hereafter in effect or any successor statute thereto, (ii) the Flood Disaster Protection Act of 1973 as now or hereafter in effect or any successor statute thereto, (iii) the National Flood Insurance Reform Act of 1994 as now or hereafter in effect or any successor statute thereto, (iv) the Flood Insurance Reform Act of 2004 as now or hereafter in effect of any successor statute thereto, in each case, together with all statutory and regulatory provisions consolidating, amending, replacing, supplementing, implementing or interpreting any of the foregoing, as amended or modified from time to time.

"Foreign Lender" shall mean (a) if the Borrower is a U.S. Person, a Lender that is not a U.S. Person, and (b) if the Borrower is not a U.S. Person, a Lender that is resident or organized under the laws of a jurisdiction other than that in which the Borrower is resident for tax purposes.

"Foreign Subsidiary" shall mean each direct and indirect Subsidiary of Holdings that is organized under the laws of a jurisdiction other than one of the fifty states of the United States or the District of Columbia.

"Funded Debt" of any Person shall mean, without duplication, (a) all indebtedness of such Person for borrowed money or for the deferred purchase price of property or services as of such date (other than operating leases and trade liabilities incurred in the ordinary course of business and payable in accordance with customary practices) or which is evidenced by a note, bond, debenture or similar instrument, (b) the principal component of all obligations of such Person under Capitalized Leases, (c) all reimbursement obligations (actual, contingent or otherwise) of such Person in respect of letters of credit, bankers acceptances or similar obligations issued or created for the account of such Person, (d) all liabilities of the type described in (a), (b) and (c) above that are secured by any Liens on any property owned by such Person as of such date even though such Person has not assumed or otherwise become liable for the payment thereof, the amount of which is determined in accordance with GAAP; provided however that so long as such Person is not personally liable for any such liability, the amount of such liability shall be deemed to be the lesser of the fair market value at such date of the property subject to the Lien securing such liability and the amount of the liability secured, and (e) all Guarantees in respect of any liability which constitutes Funded Debt; provided, however, that Funded Debt shall not include any indebtedness under any Hedging Transaction prior to the occurrence of a termination event with respect thereto. Notwithstanding anything contained in this Agreement to the contrary, at any time the definition of "Funded Debt" is used to determine compliance with the financial covenants contained in Article VI or the satisfaction of Section 3.1(b)(xii), Funded Debt shall not include (1) the letters of credit issued by Comerica Bank and set forth on Schedule 7.1; provided that such letters of credit are secured by cash collateral in the aggregate stated amount of such letters of credit and (2) any earn-out obligations arising pursuant to the Spark Merger Agreement (as defined in the Closing Date Acquisition Agreement) as in effect on the Closing Date, but only to the extent that such earn-out obligations are a valid obligation of the Parent pursuant to the terms of the Closing Date Acquisition Agreement and, upon such obligation becoming due, such obligation is paid by the Parent in accordance with the Closing Date Acquisition Agreement).

"GAAP" shall mean generally accepted accounting principles in the United States applied on a consistent basis and subject to the terms of Section 1.3.

"GLBA" shall have the meaning given such term in the definition of Privacy Law.

"Governmental Authority" shall mean the government of the United States, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

"Guarantee" shall mean as to any Person (the "guaranteeing person") any obligation of the guaranteeing Person in respect of any obligation of another Person (the "primary obligor") (including, without limitation, any bank under any letter of credit), the creation of which was induced by a reimbursement agreement, guaranty agreement, keepwell agreement, purchase agreement, counterindemnity or similar obligation issued by the guaranteeing person, in either case guaranteeing or in effect guaranteeing any Indebtedness, leases, dividends or other obligations (the "primary obligations") of the primary obligor in any manner, whether directly or indirectly, including, without limitation, any obligation of the guaranteeing person, whether or not contingent, (i) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (ii) to advance or supply funds (1) for the purchase or payment of any such primary obligation or (2) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the owner of any such primary obligation against loss in respect thereof; provided, however, that the term Guarantee shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Guarantee of any guaranteeing person shall be deemed to be the lower of (a) an amount equal to the stated or determinable amount of the primary obligation in respect of which such Guarantee is made and (b) the maximum amount for which such guaranteeing person may be liable pursuant to the terms of the instrument embodying such Guarantee, unless such primary obligation and the maximum amount for which such guaranteeing person may be liable are not stated or determinable, in which case the amount of such Guarantee shall be such guaranteeing person's maximum reasonably anticipated liability in respect thereof as determined by the applicable Person in good faith. The term "Guarantee" used as a verb has a corresponding meaning.

"Guarantor" shall mean each of Holdings and the Subsidiary Loan Parties.

"Guaranty and Security Agreement" shall mean the Guaranty and Security Agreement, dated as of the date hereof and substantially in the form of Exhibit B, made by the Loan Parties in favor of the Administrative Agent for the benefit of the Secured Parties.

"Hazardous Materials" shall mean all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

"Hedge Termination Value" shall mean, in respect of any one or more Hedging Transactions, after taking into account the effect of any legally enforceable netting agreement relating to such Hedging Transactions, (a) for any date on or after the date such Hedging Transactions have been closed out and termination value(s) determined in accordance therewith, such termination value(s) and (b) for any date prior to the date referenced in clause (a), the amount(s) determined as the mark-to-market value(s) for such Hedging Transactions, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Hedging Transactions (which may include a Lender or any Affiliate of a Lender).

"Hedging Obligations" of any Person shall mean any and all obligations of such Person, whether absolute or contingent and howsoever and whensoever created, arising, evidenced or acquired under (i) any and all Hedging Transactions, (ii) any and all cancellations, buy backs, reversals, terminations or assignments of any Hedging Transactions and (iii) any and all renewals, extensions and modifications of any Hedging Transactions and any and all substitutions for any Hedging Transactions.

"Hedging Transaction" of any Person shall mean (a) any transaction (including an agreement with respect to any such transaction) now existing or hereafter entered into by such Person that is a rate swap transaction, swap option, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap or option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option, spot transaction, credit protection transaction, credit swap, credit default swap, credit default option, total return swap, credit spread transaction, repurchase transaction, reverse repurchase transaction, buy/sell-back transaction, securities lending transaction, or any other similar transaction (including any option with respect to any of these transactions) or any combination thereof, whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a "Master Agreement"), including any such obligations or liabilities under any Master Agreement.

"HIPAA" shall have the meaning given such term in the definition of Privacy Law.

"Holdings" shall have the meaning specified in the preamble.

"Immaterial Subsidiary" means, at any date of determination, each Subsidiary of the Borrower that has been designated by the Borrower in writing to the Administrative Agent as an "Immaterial Subsidiary" for purposes of this Agreement; provided that, for purposes of this Agreement, at no time shall (i) the Consolidated EBITDA (calculated as of the most recently ended Fiscal Quarter for which financial statements are required to have been delivered pursuant to this Agreement) of all Immaterial Subsidiaries so designated equal or exceed 5% of the Consolidated EBITDA of the Borrower and its Subsidiaries at such date or (ii) the total assets (calculated as of the most recently ended Fiscal Quarter for which financial statements are required to have been delivered pursuant to this Agreement) of all Immaterial Subsidiaries equal or exceed 5% of the total consolidated assets of the Borrower and its Subsidiaries at such date, in each case determined in accordance with GAAP. In the event that the limits set forth in clauses (i) or (ii) above are at any time exceeded, then all such Subsidiaries so designated as Immaterial Subsidiaries shall no longer be permitted to be (and shall be deemed not to be) Immaterial Subsidiaries, and such Subsidiaries shall immediately comply with all of the terms of this Agreement and the other Loan Documents applicable to Subsidiaries that are not Immaterial Subsidiaries (including without limitation Section 5.12), unless and until the Borrower shall designate one or more Subsidiaries as Immaterial Subsidiaries pursuant to the first sentence of this definition and, in each case, such designation complies with clauses (i) and (ii) above.

"Increasing Lender" shall have the meaning set forth in Section 2.23.

"Incremental Commitment" shall have the meaning set forth in Section 2.23.

"Incremental Commitment Amount" shall have the meaning set forth in Section 2.23(a)(i).

"Incremental Revolving Commitment" shall have the meaning set forth in Section 2.23.

"Incremental Term Loan" shall have the meaning set forth in Section 2.23.

"Indebtedness" of any Person shall mean, without duplication (a) all Funded Debt of a Person, (b) all Guarantees of such Person, (c) all obligations of such Person under conditional sale or other title retention agreements relating to property or assets purchased by such Person, (d) all indebtedness of such Person arising in connection with any Hedging Transaction entered into by such Person, (e) all recourse Indebtedness of any partnership of which such Person is the general partner, and (f) any Off-Balance Sheet Liabilities.

"Indemnified Taxes" shall mean (a) Taxes other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of any Loan Party under any Loan Document and (b) to the extent not otherwise described in clause (a), Other Taxes.

"Initial Reinvestment Period" shall mean a 90-day period during which Reinvestment must be commenced under Section 2.12(a).

"Intellectual Property" shall mean the collective reference to all rights, priorities and privileges relating to intellectual property, whether arising under United States, multinational or foreign laws or otherwise, including, without limitation, copyrights and copyright applications, domain names, patents and patent applications, trademarks and trademark applications, trade names, technology, trade secrets, know-how and processes, including the right to receive all proceeds and damages therefrom.

"Interest Period" shall mean with respect to any Eurodollar Borrowing, a period of one, two, three or six months; provided that:

(i) the initial Interest Period for such Borrowing shall commence on the date of such Borrowing (including the date of any conversion from a Borrowing of another Type), and each Interest Period occurring thereafter in respect of such Borrowing shall commence on the day on which the next preceding Interest Period expires;

(ii) if any Interest Period would otherwise end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day, unless such Business Day falls in another calendar month, in which case such Interest Period would end on the next preceding Business Day;

(iii) any Interest Period which begins on the last Business Day of a calendar month or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period shall end on the last Business Day of such calendar month;

(iv) each principal installment of the Term Loans shall have an Interest Period ending on each installment payment date and the remaining principal balance (if any) of the Term Loans shall have an Interest Period determined as set forth above; and

(v) no Interest Period may extend beyond the Revolving Commitment Termination Date, unless on the Revolving Commitment Termination Date the aggregate outstanding principal amount of Term Loans is equal to or greater than the aggregate principal amount of Eurodollar Loans with Interest Periods expiring after such date, and no Interest Period may extend beyond the Maturity Date.

"Investments" shall have the meaning set forth in Section 7.4.

"IRS" shall mean the United States Internal Revenue Service.

"Issuing Bank" shall mean SunTrust Bank in its capacity as the issuer of Letters of Credit pursuant to Section 2.22.

"Joint Lead Arrangers" shall mean, collectively, SunTrust Robinson Humphrey, Inc. and Silicon Valley Bank, in their respective capacities as joint lead arrangers in connection with this Agreement.

"LC Commitment" shall mean that portion of the Aggregate Revolving Commitments that may be used by the Borrower for the issuance of Letters of Credit in an aggregate face amount not to exceed $0.

"LC Disbursement" shall mean a payment made by the Issuing Bank pursuant to a Letter of Credit.

"LC Documents" shall mean all applications, agreements and instruments relating to the Letters of Credit but excluding the Letters of Credit.

"LC Exposure" shall mean, at any time, the sum of (i) the aggregate undrawn amount of all outstanding Letters of Credit at such time, plus (ii) the aggregate amount of all LC Disbursements that have not been reimbursed by or on behalf of the Borrower at such time. The LC Exposure of any Lender shall be its Pro Rata Share of the total LC Exposure at such time.

"Lender-Related Hedge Provider" shall mean any Person that, at the time it enters into a Hedging Transaction with any Loan Party, (i) is a Lender or an Affiliate of a Lender and (ii) except when the Lender-Related Hedge Provider is SunTrust Bank or any of its Affiliates, has provided prior written notice to the Administrative Agent which has been acknowledged by the Borrower of (x) the existence of such Hedging Transaction and (y) the methodology to be used by such parties in determining the obligations under such Hedging Transaction from time to time. In no event shall any Lender-Related Hedge Provider acting in such capacity be deemed a Lender for purposes hereof to the extent of and as to Hedging Obligations except that each reference to the term "Lender" in Article IX and Section 10.3(b) shall be deemed to include such Lender-Related Hedge Provider. In no event shall the approval of any such Person in its capacity as Lender-Related Hedge Provider be required in connection with the release or termination of any security interest or Lien of the Administrative Agent.

"Lenders" shall have the meaning set forth in the introductory paragraph hereof and shall include, where appropriate, the Swingline Lender, each Increasing Lender and each Additional Lender that joins this Agreement pursuant to Section 2.23.

"Letter of Credit" shall mean any stand-by letter of credit issued pursuant to Section 2.22 by the Issuing Bank for the account of the Borrower pursuant to the LC Commitment.

"Lien" shall mean any mortgage, pledge, security interest, lien (statutory or otherwise), charge, encumbrance, hypothecation, assignment, deposit arrangement, or other arrangement having the practical effect of any of the foregoing or any preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including any conditional sale or other title retention agreement and any capital lease having the same economic effect as any of the foregoing).

"Loan Documents" shall mean, collectively, this Agreement, the Collateral Documents, the LC Documents, the Fee Letter, all Notices of Borrowing, all Notices of Conversion/Continuation, all Compliance Certificates, any promissory notes issued hereunder and any and all other instruments, agreements, documents and writings executed in connection with any of the foregoing.

"Loan Parties" shall mean Holdings, the Borrower and the Subsidiary Loan Parties.

"Loans" shall mean all Revolving Loans, Swingline Loans and Term Loans in the aggregate or any of them, as the context shall require, and shall include, where appropriate, any loan made pursuant to Section 2.23.

"Material Adverse Effect" shall mean, with respect to any event, act, condition or occurrence of whatever nature (including any adverse determination in any litigation, arbitration, or governmental investigation or proceeding), whether singularly or in conjunction with any other event or events, act or acts, condition or conditions, occurrence or occurrences whether or not related, resulting in a material adverse change in, or a material adverse effect on, (i) the business, results of operations, financial condition, assets or liabilities of either (x) Holdings or (y) the Borrower and its Subsidiaries taken as a whole, (ii) the ability of the Loan Parties to perform any of their respective obligations under the Loan Documents, (iii) the rights and remedies of the Administrative Agent, the Issuing Bank, the Swingline Lender or the Lenders under any of the Loan Documents or (iv) the legality, validity or enforceability of any of the Loan Documents.

"Material Agreements" shall mean (i) each agreement or contract to which any Loan Party is a party or in respect of which any Loan Party has any liability, that by its terms (without reference to any indemnity or reimbursement provision therein) provides for aggregate future guaranteed payments in respect of any such individual agreement or contract of at least $1,000,000, (ii) the Related Transaction Documents (other than the Loan Documents), and (iii) any other agreement or contract the loss of which would be reasonably likely to result in a Material Adverse Effect; provided that Material Agreements shall not be deemed to include any Plans, collective bargaining agreements, or casualty or liability or other insurance policies maintained in the ordinary course of business.

"Material Foreign Subsidiary" shall mean any Foreign Subsidiary which is not an Immaterial Subsidiary.

"Material Indebtedness" shall mean any Indebtedness (other than the Loans and the Letters of Credit) of the Borrower or any of its Subsidiaries individually or in an aggregate committed or outstanding principal amount exceeding the Threshold Amount. For purposes of determining the amount of attributed Indebtedness from Hedging Obligations, the "principal amount" of any Hedging Obligations at any time shall be the Net Mark-to-Market Exposure of such Hedging Obligations.

"Maturity Date" shall mean, with respect to the Term Loans, the earlier of (i) November 29, 2019 and (ii) the date on which the principal amount of all outstanding Term Loans have been declared or automatically have become due and payable (whether by acceleration or otherwise).

"Mergerco" shall mean OR Merger, Inc., a Delaware corporation.

"Moody's" shall mean Moody's Investors Service, Inc.

"Mortgaged Property" shall mean, collectively, the Real Estate subject to the Mortgages.

"Mortgages" shall mean each mortgage, deed of trust, deed to secure debt or other real estate security documents delivered by any Loan Party to the Administrative Agent from time to time, all in form and substance satisfactory to the Administrative Agent.

"Multiemployer Plan" shall mean any "multiemployer plan" as defined in Section 4001(a)(3) of ERISA, which is contributed to by (or to which there is or may be an obligation to contribute of) any Loan Party or an ERISA Affiliate, and each such plan for the five-year period immediately following the latest date on which such Loan Party or an ERISA Affiliate contributed to or had an obligation to contribute to such plan.

"Net Mark-to-Market Exposure" of any Person shall mean, as of any date of determination with respect to any Hedging Obligation, the excess (if any) of all unrealized losses over all unrealized profits of such Person arising from such Hedging Obligation. "Unrealized losses" shall mean the fair market value of the cost to such Person of replacing the Hedging Transaction giving rise to such Hedging Obligation as of the date of determination (assuming such Hedging Transaction were to be terminated as of that date), and "unrealized profits" shall mean the fair market value of the gain to such Person of replacing such Hedging Transaction as of the date of determination (assuming such Hedging Transaction were to be terminated as of that date).

"Non-Defaulting Lender" shall mean, at any time, a Lender that is not a Defaulting Lender.

"Non-U.S. Plan" shall mean any plan, fund (including, without limitation, any superannuation fund) or other similar program established, contributed to (regardless of whether through direct contributions or through employee withholding) or maintained outside the United States by Holdings or one or more of its Subsidiaries primarily for the benefit of employees of Holdings or such Subsidiaries residing outside the United States, which plan, fund or other similar program provides, or results in, retirement income, a deferral of income in contemplation of retirement, or payments to be made upon termination of employment, and which plan is not subject to ERISA or the Code.

"Notice of Conversion/Continuation" shall have the meaning set forth in Section 2.7(b).

"Notice of Revolving Borrowing" shall have the meaning set forth in Section 2.3.

"Notice of Swingline Borrowing" shall have the meaning set forth in Section 2.4.

"Notices of Borrowing" shall mean, collectively, the Notices of Revolving Borrowing and the Notices of Swingline Borrowing.

"Obligations" shall mean (a) all amounts owing by the Loan Parties and/or the Parent to the Administrative Agent, the Issuing Bank, any Lender (including the Swingline Lender) or the Joint Lead Arrangers pursuant to or in connection with this Agreement or any other Loan Document or otherwise with respect to any Loan or Letter of Credit including, without limitation, all principal, interest (including any interest accruing after the filing of any petition in bankruptcy or the commencement of any insolvency, reorganization or like proceeding relating to the Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding), reimbursement obligations, fees, expenses, indemnification and reimbursement payments, costs and expenses (including all fees and expenses of counsel to the Administrative Agent, the Issuing Bank and any Lender (including the Swingline Lender) incurred pursuant to this Agreement or any other Loan Document), whether direct or indirect, absolute or contingent, liquidated or unliquidated, now existing or hereafter arising hereunder or thereunder, (b) all Hedging Obligations owed by any Loan Party to any Lender-Related Hedge Provider, and (c) all Bank Product Obligations, together with all renewals, extensions, modifications or refinancings of any of the foregoing; provided, however, that with respect to any Guarantor, the Obligations shall not include any Excluded Swap Obligations.

"OFAC" shall mean the U.S. Department of the Treasury's Office of Foreign Assets Control.

"Off-Balance Sheet Liabilities" of any Person shall mean (i) any repurchase obligation or liability of such Person with respect to accounts or notes receivable sold by such Person, (ii) any liability of such Person under any sale and leaseback transactions that do not create a liability on the balance sheet of such Person, (iii) any Synthetic Lease Obligation or (iv) any obligation arising with respect to any other transaction which is the functional equivalent of or takes the place of borrowing but which does not constitute a liability on the balance sheet of such Person.

"OSHA" shall mean the Occupational Safety and Health Act of 1970, as amended from time to time, and any successor statute.

"Other Connection Taxes" shall mean, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Tax (other than connections arising from such Recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Loan or Loan Document).

"Other Taxes" shall mean all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment made pursuant to Section 2.25).

"Parent" shall mean Perion Network Ltd., a public company with limited liability organized under the laws of the State of Israel.

"Parent Company" shall mean, with respect to a Lender, the "bank holding company" as defined in Regulation Y, if any, of such Lender, and/or any Person owning, beneficially or of record, directly or indirectly, a majority of the shares of such Lender.

"Participant" shall have the meaning set forth in Section 10.4(d).

"Participant Register" shall have the meaning set forth in Section 10.4(d).

"Patent" shall have the meaning assigned to such term in the Guaranty and Security Agreement.

"Patent Security Agreement" shall mean any Patent Security Agreement executed by a Loan Party owning Patents or licenses of Patents in favor of the Administrative Agent for the benefit of the Secured Parties, both on the Closing Date and thereafter.

"Patriot Act" shall mean that USA PATRIOT Improvement and Reauthorization Act of 2005 (Pub. L. 109 177 (signed into law March 9, 2006)).

"Payment Office" shall mean the office of the Administrative Agent located at 303 Peachtree Street, N.E., Atlanta, Georgia 30308, or such other location as to which the Administrative Agent shall have given written notice to the Borrower and the other Lenders.

"PBGC" shall mean the U.S. Pension Benefit Guaranty Corporation referred to and defined in ERISA, and any successor entity performing similar functions.

"Perfection Certificate" shall have the meaning assigned to such term in the Guaranty and Security Agreement.

"Permitted Acquisition" shall mean any Acquisition by a Borrower Loan Party that occurs when the following conditions have been satisfied:

(i) (a) the aggregate consideration payable in connection with such Acquisition (including cash, equity and Indebtedness or liabilities incurred or assumed and all transaction costs), when taken together with the aggregate consideration for all Permitted Acquisitions consummated after the Closing Date and prior to the date thereof, does not exceed $35,000,000 (excluding the Closing Date Acquisition) and (b) the aggregate consideration payable in connection with acquisitions of Persons that become Foreign Subsidiaries or that do not have substantially all of their respective assets located in the United States does not exceed $3,500,000 in the aggregate for all Permitted Acquisitions consummated after the Closing Date and prior to the date thereof, does not exceed $3,500,000 (excluding the Closing Date Acquisition);

(ii) before and after giving effect to such Acquisition, no Default or Event of Default has occurred and is continuing or would result therefrom, and all representations and warranties of each Loan Party set forth in the Loan Documents shall be and remain true and correct in all material respects;

(iii) before and after giving effect to such Acquisition, on a Pro Forma Basis, the Borrower is in compliance with each of the covenants set forth in Article VI, measuring Consolidated Total Debt for purposes of Section 6.1 as of the date of such Acquisition and otherwise recomputing the covenants set forth in Article VI as of the last day of the most recently ended Fiscal Quarter for which financial statements are required to have been delivered pursuant to Section 5.1(a) or (b) as if such Acquisition had occurred, and any Indebtedness incurred in connection therewith was incurred, on the first day of the relevant period for testing compliance, and the Borrower shall have delivered to the Administrative Agent a *pro forma* Compliance Certificate signed by a Responsible Officer certifying to the foregoing at least ten (10) days prior to the date of the consummation of such Acquisition;

(iv) at least fifteen (15) days prior to the date of the consummation of such Acquisition, the Borrower shall have delivered to the Administrative Agent notice of such Acquisition, together with historical financial information and analysis with respect to the Person whose stock or assets are being acquired and copies of the acquisition agreement and related documents (including financial information and analysis, environmental assessments and reports, opinions, certificates and lien searches) and information reasonably requested by the Administrative Agent;

(v) such Acquisition is consensual and approved by the board of directors (or the equivalent thereof) of the Person whose stock or assets are being acquired;

(vi) the Person or assets being acquired is in the same type of business conducted by the Borrower and its Subsidiaries on the date hereof or any business reasonably related thereto;

(vii) such Acquisition is consummated in compliance with all Requirements of Law, and all consents and approvals from any Governmental Authority or other Person required in connection with such Acquisition have been obtained;

(viii) the Person or assets being acquired shall have positive pro forma EBITDA (calculated in a manner substantially similar to "Consolidated EBITDA" to the extent provisions of such definition are relevant) for the 12-month period ending on the date of such Acquisition, as determined based upon financial statements for the most recently completed fiscal year and the most recent interim financial period completed within 45 days prior to the date of consummation of such Acquisition;

(ix) before and after giving effect to such Acquisition and any Indebtedness incurred in connection therewith, each Loan Party is Solvent;

(x) after giving effect to such Acquisition and any Indebtedness incurred in connection therewith, the sum of (i) (x) the Aggregate Revolving Commitment Amount (if any) minus (y) the aggregate principal amount of all Revolving Credit Exposure (if any), plus (ii) cash on hand (that is either unencumbered or in Controlled Accounts) of the Loan Parties is at least $7,500,000;

(xi) the Borrower shall have executed and delivered, or caused its Subsidiaries to execute and deliver, all guarantees, Collateral Documents and other related documents required under Section 5.12; and

(xii) the Borrower has delivered to the Administrative Agent a certificate executed by a Responsible Officer certifying that each of the conditions set forth above has been satisfied.

"Permitted Encumbrances" shall mean:

(i) Liens imposed by law for taxes not yet due or which are being contested in good faith by appropriate proceedings diligently conducted and with respect to which adequate reserves are being maintained in accordance with GAAP;

(ii) statutory Liens of landlords, carriers, warehousemen, mechanics, materialmen and other Liens imposed by law in the ordinary course of business for amounts not yet due or which are being contested in good faith by appropriate proceedings diligently conducted and with respect to which adequate reserves are being maintained in accordance with GAAP;

(iii) pledges and deposits made in the ordinary course of business in compliance with workers' compensation, unemployment insurance and other social security laws or regulations;

(iv) deposits to secure the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, in each case in the ordinary course of business;

(v) judgment and attachment liens not giving rise to an Event of Default or Liens created by or existing from any litigation or legal proceeding that are currently being contested in good faith by appropriate proceedings diligently conducted and with respect to which adequate reserves are being maintained in accordance with GAAP;

(vi) customary rights of set-off, revocation, refund or chargeback under deposit agreements or under the Uniform Commercial Code or common law of banks or other financial institutions where the Borrower or any of its Subsidiaries maintains deposits (other than deposits intended as cash collateral) in the ordinary course of business; and

(vii) easements, zoning restrictions, rights-of-way and similar encumbrances on real property imposed by law or arising in the ordinary course of business that do not secure any monetary obligations and do not materially detract from the value of the affected property or materially interfere with the ordinary conduct of business of the Borrower and its Subsidiaries taken as a whole;

provided that the term "Permitted Encumbrances" shall not include any Lien securing Indebtedness.

"Permitted Equity Issuance" means any cash capital contribution to the Borrower or Holdings (other than with respect to Disqualified Capital Stock) or sale or issuance of any Capital Stock (other than Disqualified Capital Stock) of Holdings, the cash proceeds of which are, in the case of a cash capital contribution to Holdings or issuance of Capital Stock by Holdings, contributed to the common equity of the Borrower.

"Permitted Investments" shall mean:

(i) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States (or by any agency thereof to the extent such obligations are backed by the full faith and credit of the United States), in each case maturing within one year from the date of acquisition thereof;

(ii) commercial paper having the highest rating, at the time of acquisition thereof, of S&P or Moody's and in either case maturing within six months from the date of acquisition thereof;

(iii) certificates of deposit, bankers' acceptances and time deposits maturing within 180 days of the date of acquisition thereof issued or guaranteed by or placed with, and money market deposit accounts issued or offered by, any domestic office of any commercial bank organized under the laws of the United States or any state thereof which has a combined capital and surplus and undivided profits of not less than $500,000,000;

(iv) fully collateralized repurchase agreements with a term of not more than 30 days for securities described in clause (i) above and entered into with a financial institution satisfying the criteria described in clause (iii) above;

(v) mutual funds investing solely in any one or more of the Permitted Investments described in clauses (i) through (iv) above;

(vi) securities issued by any state of the United States or any political subdivision of any such state or any public instrumentality thereof having a rating of at least "A-2" or "P-2" (or long term ratings of at least "A3" or "A-") from either S&P or Moody's or, with respect to municipal bonds, a rating of at least "MIG 2" or "VMIG 2" from Moody's, in each case maturing within one year from the date of acquisition thereof; and

(vii) overnight and demand deposits in and bankers' acceptances of any financial institution satisfying the criteria in clause (iii) of this definition or, to the extent insured by the Federal Deposit Insurance Corporation, any other financial institution.

"Permitted Third Party Bank" shall mean SunTrust Bank (or with the consent of the Agent, another Lender) and with whom any Loan Party maintains a Controlled Account and with whom a Control Account Agreement has been executed.

"Person" shall mean any individual, partnership, firm, corporation, association, joint venture, limited liability company, trust or other entity, or any Governmental Authority.

"Plan" shall mean any "employee benefit plan" as defined in Section 3 of ERISA (other than a Multiemployer Plan) maintained or contributed to by a Loan Party or any ERISA Affiliate or to which a Loan Party or any ERISA Affiliate has an obligation to contribute, and each such plan that is subject to Title IV of ERISA for the five-year period immediately following the latest date on which such Loan Party or any ERISA Affiliate maintained, contributed to or had an obligation to contribute to (or is deemed under Section 4069 of ERISA to have maintained or contributed to or to have had an obligation to contribute to, or otherwise to have liability with respect to) such plan.

"Pledge Agreement" shall mean the Pledge Agreement, dated as of the date hereof and substantially in the form of Exhibit D, made by the Parent in favor of the Administrative Agent for the benefit of the Secured Parties.

"Privacy Law" shall mean (i) all Requirements of Law, including without limitation (a) the Fair Credit Reporting Act ("FCRA"), 15 U.S.C. § 1681 et seq., as amended by the Fair and Accurate Credit Transactions Act ("FACTA"); (b) the Controlling the Assault of Non-Solicited Pornography and Marketing Act ("CAN-SPAM"), 15 U.S.C. chap. 103; (c) the Telephone Consumer Protection Act ("TCPA"), 47 U.S.C. § 227; (d) state laws governing the use (including both commercial and non-commercial uses) of the following types of communication and messaging: email, text messaging, telephone, paging, and faxing; (e) state laws governing the use of information collected online, state laws requiring privacy disclosures to consumers, or state laws investing individuals with rights in or regarding data about such individuals, or the use of such data, including the California Online Privacy Protection Act ("CalOPPA"), Cal. Bus. & Prof. Code 22575-22579 (as amended by AB370), and California "Shine the Light" law, Cal. Civ. Code 1798.80 – 1798.34; (f) security breach notification laws (such as Cal. Civ. Code §§ 1798.29, 1798.82 - 1798.84); (g) state and federal laws imposing minimum security requirements on the use of personal, sensitive, personally identifiable, or non-public personal information (such as 201 Mass. Code Reg. 17.00 ("Mass. Security Regulation")); (h) state and federal laws requiring the secure disposal of records containing certain personal, sensitive, personally identifiable, or non-public personal information (such as N.Y. Gen. Bus. Law § 399-H); (i) the Health Insurance Portability and Accountability Act of 1996 and all its amendments, 42 U.S.C. § 300gg, 29 U.S.C. § 1811 et seq., 42 U.S.C. 1320d et seq., 45 C.F.R. Part 160, 45 C.F.R. Part 164 ("HIPAA"); (j) the Gramm-Leach-Bliley Act ("GLBA"), 15 U.S.C. § § 6801-6827; (k) the Federal Trade Commission Act ("FTC Act"), 15 U.S.C. § 45, and including the FTC Act as interpreted by the Federal Trade Commission in guidance and enforcement actions; (l) state consumer protection laws, including laws forbidding unfair or deceptive trade practices; (m) the Communications Act of 1934, including 47 U.S.C. § 222; (n) the "revised principles" as articulated in the Federal Trade Commission's 2009 FTC Staff Report titled "Self-Regulatory Principles for Online Behavioral Advertising"; (o) the implementing regulations, if applicable, of each of the above (a)-(m); and (p) any Requirements of Law (including, without limitation, laws of countries or jurisdictions other than the United States) governing the collection, use, disclosure or maintenance of data or information of any kind; (ii) Contractual Obligations and fiduciary obligations related to data privacy and data security, including any requirements set forth in guidelines published by any Governmental Authorities; (iii) the internal privacy policies of Holdings and its Subsidiaries and any public representations that Holdings and its Subsidiaries have made regarding their privacy policies and practices; (iv) third person privacy policies that Holdings or its Subsidiaries have been or are contractually obligated to comply with; (v) any rules of any applicable self-regulatory organizations with which Holdings or its Subsidiaries have been contractually obligated to comply; and (vi) the rules contained in the current version of the PCI Data Security Standards ("PCI DSS"), promulgated by the PCI Security Standards Council.

"Pro Forma Basis" shall mean, (i) with respect to any Person, business, property or asset acquired in a Permitted Acquisition or other Acquisition approved in writing by the Required Lenders, the inclusion as "Consolidated EBITDA" of the EBITDA (i.e. net income before interest, taxes, depreciation and amortization plus any other add backs to the extent approved in writing by the Administrative Agent) for such Person, business, property or asset as if such Acquisition had been consummated on the first day of the applicable period, based on historical results accounted for in accordance with GAAP and (ii) with respect to any Person, business, property or asset sold, transferred or otherwise disposed of, the exclusion from "Consolidated EBITDA" of the EBITDA (i.e. net income before interest, taxes, depreciation and amortization plus any other add backs to the extent approved in writing by the Administrative Agent) for such Person, business, property or asset so disposed of during such period as if such disposition had been consummated on the first day of the applicable period, in accordance with GAAP.

"Pro Rata Share" shall mean (i) with respect to any Class of Commitment or Loan of any Lender at any time, a percentage, the numerator of which shall be such Lender's Commitment of such Class (or if such Commitment has been terminated or expired or the Loans have been declared to be due and payable, such Lender's Revolving Credit Exposure or Term Loan, as applicable), and the denominator of which shall be the sum of all Commitments of such Class of all Lenders (or if such Commitments have been terminated or expired or the Loans have been declared to be due and payable, all Revolving Credit Exposure or Term Loans, as applicable, of all Lenders) and (ii) with respect to all Classes of Commitments and Loans of any Lender at any time, the numerator of which shall be the sum of such Lender's Revolving Commitment (or if such Revolving Commitment has been terminated or expired or the Loans have been declared to be due and payable, such Lender's Revolving Credit Exposure) and Term Loan and the denominator of which shall be the sum of all Lenders' Revolving Commitments (or if such Revolving Commitments have been terminated or expired or the Loans have been declared to be due and payable, all Revolving Credit Exposure of all Lenders funded under such Commitments) and Term Loans.

"Real Estate" shall mean all real property owned or leased by the Borrower and its Subsidiaries.

"Real Estate Documents" shall mean, collectively, (i) Mortgages covering all Real Estate owned by the Loan Parties, duly executed by each applicable Loan Party, together with (A) title insurance policies, current as-built ALTA/ACSM Land Title surveys certified to the Administrative Agent, zoning letters, building permits and certificates of occupancy, in each case relating to such Real Estate and satisfactory in form and substance to the Administrative Agent, (B) (x) "Life of Loan" Federal Emergency Management Agency Standard Flood Hazard determinations, (y) notices, in the form required under the Flood Insurance Laws, about special flood hazard area status and flood disaster assistance duly executed by each Loan Party, and (z) if any improved real property encumbered by any Mortgage is located in a special flood hazard area, a policy of flood insurance that is on terms satisfactory to the Administrative Agent, (C) evidence that counterparts of such Mortgages have been recorded in all places to the extent necessary or desirable, in the judgment of the Administrative Agent, to create a valid and enforceable first priority Lien (subject to Permitted Encumbrances) on such Real Estate in favor of the Administrative Agent for the benefit of the Secured Parties (or in favor of such other trustee as may be required or desired under local law), (D) an opinion of counsel in each state in which such Real Estate is located in form and substance and from counsel satisfactory to the Administrative Agent, (E) a duly executed Environmental Indemnity with respect thereto, (F) Phase I Environmental Site Assessment Reports, consistent with American Society of Testing and Materials (ASTM) Standard E 1527-05, and applicable state requirements, on all of the owned Real Estate, dated no more than six (6) months prior to the Closing Date (or date of the applicable Mortgage if provided post closing), prepared by environmental engineers satisfactory to the Administrative Agent, all in form and substance satisfactory to the Administrative Agent, and such environmental review and audit reports, including Phase II reports, with respect to the Real Estate of any Loan Party as the Administrative Agent shall have requested, in each case together with letters executed by the environmental firms preparing such environmental reports, in form and substance satisfactory to the Administrative Agent, authorizing the Administrative Agent and the Lenders to rely on such reports, and the Administrative Agent shall be satisfied with the contents of all such environmental reports and (G) such other reports, documents, instruments and agreements as the Administrative Agent shall request, each in form and substance satisfactory to Administrative Agent.

"Recipient" shall mean, as applicable, (a) the Administrative Agent, (b) any Lender and (c) the Issuing Bank.

"Regulation D" shall mean Regulation D of the Board of Governors of the Federal Reserve System, as the same may be in effect from time to time, and any successor regulations.

"Regulation T" shall mean Regulation T of the Board of Governors of the Federal Reserve System, as the same may be in effect from time to time, and any successor regulations.

"Regulation U" shall mean Regulation U of the Board of Governors of the Federal Reserve System, as the same may be in effect from time to time, and any successor regulations.

"Regulation X" shall mean Regulation X of the Board of Governors of the Federal Reserve System, as the same may be in effect from time to time, and any successor regulations.

"Regulation Y" shall mean Regulation Y of the Board of Governors of the Federal Reserve System, as the same may be in effect from time to time, and any successor regulations.

"Reinvest" or "Reinvestment" shall mean, with respect to (a) any net cash proceeds from the sale, transfer or disposition of assets, or (b) insurance proceeds or condemnation proceeds received by any Person, the application of such monies to (i) repair, improve or replace any tangible personal (excluding inventory) or real property of the Borrower Loan Parties or any intellectual property reasonably necessary in order to use or benefit from any property or (ii) acquire any such property (excluding inventory) to be used in the business of such Person.

"Reinvestment Certificate" is defined in Section 2.12(a).

"Reinvestment Period" shall mean a 90-day period commencing after the expiration of the Initial Reinvestment Period during which Reinvestment must be completed under Section 2.12(a).

"Related Parties" shall mean, with respect to any specified Person, such Person's Affiliates and the respective managers, administrators, trustees, partners, directors, officers, employees, agents, advisors or other representatives of such Person and such Person's Affiliates.

"Related Transaction Documents" shall mean the Loan Documents, the Equity Documents, the Closing Date Acquisition Documents, the pay-off letter related to the Existing Credit Agreement and all other agreements or instruments executed in connection with the Related Transactions.

"Related Transactions" shall mean, collectively, the making of the initial Loans on the Closing Date, the Equity Contribution, the Closing Date Acquisition, the repayment in full of all outstanding obligations under the Existing Credit Agreement (and any related loan and security documents), the payment of all fees, costs and expenses associated with all of the foregoing and the execution and delivery of all Related Transaction Documents.

"Release" shall mean any release, spill, emission, leaking, dumping, injection, pouring, deposit, disposal, discharge, dispersal, leaching or migration into the environment (including ambient air, surface water, groundwater, land surface or subsurface strata) or within any building, structure, facility or fixture.

"Required Lenders" shall mean, at any time, Lenders holding more than 50% of the aggregate outstanding Revolving Commitments and Term Loans at such time or, if the Lenders have no Commitments outstanding, then Lenders holding more than 50% of the aggregate outstanding Revolving Credit Exposure and Term Loans of the Lenders at such time; provided that to the extent that any Lender is a Defaulting Lender, such Defaulting Lender and all of its Revolving Commitments, Revolving Credit Exposure and Term Loans shall be excluded for purposes of determining Required Lenders; provided,further (but subject to the immediately prior proviso) that (i) so long as there are two (2) Lenders, "Required Lenders" shall mean both such Lenders and (ii) if there are three (3) Lenders, "Required Lenders" must include (x) any Lender holding 40% or more of the aggregate outstanding Revolving Commitments and Term Loans at such time or (y) if the Lenders have no Commitments outstanding, then any Lender holding 40% or more of the aggregate outstanding Revolving Credit Exposure and Term Loans at such time. For purposes of this definition, any Lender and its Affiliates shall be deemed to constitute (collectively) a single Lender.

"Required Revolving Lenders" shall mean, at any time, Lenders holding more than 50% of the aggregate outstanding Revolving Commitments at such time or, if the Lenders have no Revolving Commitments outstanding, then Lenders holding more than 50% of the aggregate Revolving Credit Exposure; provided that to the extent that any Lender is a Defaulting Lender, such Defaulting Lender and all of its Revolving Commitments and Revolving Credit Exposure shall be excluded for purposes of determining Required Revolving Lenders; provided further (but subject to the immediately prior proviso) that so long as there are fewer than three Lenders, considering any Lender and its Affiliates as a single Lender, "Required Revolving Lenders" shall mean all Lenders.

"Requirement of Law" for any Person shall mean the articles or certificate of incorporation, bylaws, partnership certificate and agreement, or limited liability company certificate of organization and agreement, as the case may be, and other organizational and governing documents of such Person, and any law, treaty, rule or regulation, or determination of a Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"Responsible Officer" shall mean (x) with respect to certifying compliance with the financial covenants set forth in Article VI, the chief financial officer or the treasurer of the Borrower and (y) with respect to all other provisions, any of the president, the chief executive officer, the chief operating officer, the chief financial officer, the treasurer or a vice president of the Borrower or Holdings (as applicable) or such other representative of the Borrower or Holdings as may be designated in writing by any one of the foregoing with the consent of the Administrative Agent.

"Restricted Payment" shall mean, for any Person, any dividend or distribution on any class of its Capital Stock, or any payment on account of, or set apart assets for a sinking or other analogous fund for, the purchase, redemption, retirement, defeasance or other acquisition of any shares of its Capital Stock, any Indebtedness subordinated to the Obligations or any Guarantee thereof or any options, warrants or other rights to purchase such Capital Stock or such Indebtedness, whether now or hereafter outstanding, or any management or similar fees.

"Revolving Commitment" shall mean, with respect to each Lender, the commitment of such Lender to make Revolving Loans to the Borrower and to acquire participations in Letters of Credit and Swingline Loans in an aggregate principal amount not exceeding the amount set forth with respect to such Lender on Schedule II, as such schedule may be amended pursuant to Section 2.23, or, in the case of a Person becoming a Lender after the Closing Date, the amount of the assigned "Revolving Commitment" as provided in the Assignment and Acceptance executed by such Person as an assignee, or the joinder executed by such Person, in each case as such commitment may subsequently be increased or decreased pursuant to the terms hereof.

"Revolving Commitment Termination Date" shall mean the earliest of (i) November 29, 2019, (ii) the date on which the Revolving Commitments are terminated pursuant to Section 2.8 and (iii) the date on which all amounts outstanding under this Agreement have been declared or have automatically become due and payable (whether by acceleration or otherwise).

"Revolving Credit Exposure" shall mean, with respect to any Lender at any time, the sum of the outstanding principal amount of such Lender's Revolving Loans, LC Exposure and Swingline Exposure.

"Revolving Loan" shall mean a loan made by a Lender (other than the Swingline Lender) to the Borrower under its Revolving Commitment, which may either be a Base Rate Loan or a Eurodollar Loan.

"S&P" shall mean Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc., and any successor thereto.

"Sanctioned Country" shall mean, at any time, a country or territory that is, or whose government is, the subject or target of any Sanctions.

"Sanctioned Person" shall mean, at any time, (a) any Person listed in any Sanctions-related list of designated Persons maintained by OFAC, the U.S. Department of State, the United Nations Security Council, the European Union or any EU member state, (b) any Person located, organized or resident in a Sanctioned Country or (c) any Person controlled by any such Person.

"Sanctions" shall mean economic or financial sanctions or trade embargoes administered or enforced from time to time by (a) the U.S. government, including those administered by OFAC or the U.S. Department of State or (b) the United Nations Security Council, the European Union or Her Majesty's Treasury of the United Kingdom.

"Secured Parties" shall mean the Administrative Agent, the Lenders, the Issuing Bank, the Lender-Related Hedge Providers and the Bank Product Providers.

"Seller" shall mean the "Stockholders' Representative" under and as defined in the Closing Date Acquisition Agreement.

"Solvent" shall mean, with respect to any Person or any group of Persons on a particular date, that on such date (a) the fair value of the property of such Person or such group of Persons is greater than the total amount of liabilities, including subordinated and contingent liabilities, of such Person or such group of Persons; (b) the present fair saleable value of the assets of such Person or such group of Persons is not less than the amount that will be required to pay the probable liability of such Person or such group of Persons on its debts and liabilities, including subordinated and contingent liabilities as they become absolute and matured; (c) such Person or such group of Persons does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's or such group of Persons' ability to pay as such debts and liabilities mature; and (d) such Person or such group of Persons is not engaged in a business or transaction, and is not about to engage in a business or transaction, for which such Person's or such group of Persons' property would constitute an unreasonably small capital. The amount of contingent liabilities (such as litigation, guaranties and pension plan liabilities) at any time shall be computed as the amount that, in light of all the facts and circumstances existing at the time, represents the amount that would reasonably be expected to become an actual or matured liability.

"Specified Equity Contribution" has the meaning specified in Section 8.3.

"Subsidiary" shall mean, with respect to any Person (the "parent") at any date, any corporation, partnership, joint venture, limited liability company, association or other entity the accounts of which would be consolidated with those of the parent in the parent's consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, partnership, joint venture, limited liability company, association or other entity (i) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, controlled or held, or (ii) that is, as of such date, otherwise controlled, by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent. Unless otherwise indicated, all references to "Subsidiary" hereunder shall mean a Subsidiary of Holdings after giving effect to the Related Transactions.

"Subsidiary Loan Party" shall mean any Subsidiary that executes or becomes a party to the Guaranty and Security Agreement.

"Swap Obligation" shall mean, with respect to any Guarantor, any obligation to pay or perform under any agreement, contract or transaction that constitutes a "swap" within the meaning of section 1a(47) of the Commodity Exchange Act.

"Swingline Commitment" shall mean the commitment of the Swingline Lender to make Swingline Loans in an aggregate principal amount at any time outstanding not to exceed $0.

"Swingline Exposure" shall mean, with respect to each Lender, the principal amount of the Swingline Loans in which such Lender is legally obligated either to make a Base Rate Loan or to purchase a participation in accordance with Section 2.4, which shall equal such Lender's Pro Rata Share of all outstanding Swingline Loans.

"Swingline Lender" shall mean SunTrust Bank.

"Swingline Loan" shall mean a loan made to the Borrower by the Swingline Lender under the Swingline Commitment.

"Synthetic Lease" shall mean a lease transaction under which the parties intend that (i) the lease will be treated as an "operating lease" by the lessee pursuant to FASB ASC Sections 840-10 and 840-20, and (ii) the lessee will be entitled to various tax and other benefits ordinarily available to owners (as opposed to lessees) of like property.

"Synthetic Lease Obligations" shall mean, with respect to any Person, the sum of (i) all remaining rental obligations of such Person as lessee under Synthetic Leases which are attributable to principal and, without duplication, (ii) all rental and purchase price payment obligations of such Person under such Synthetic Leases assuming such Person exercises the option to purchase the lease property at the end of the lease term.

"Target" shall mean Interactive Holding Corp., a Delaware corporation.

"Taxes" shall mean any and all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees, or charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

"Term Loan" shall mean a term loan made by a Lender to the Borrower pursuant to Section 2.5 or Section 2.23.

"Term Loan Commitment" shall mean, with respect to each Lender, the obligation of such Lender to make a Term Loan hereunder on the Closing Date, in a principal amount not exceeding the amount set forth with respect to such Lender on Schedule II. The aggregate principal amount of all Lenders' Term Loan Commitments as of the Closing Date is $50,000,000.

"Threshold Amount" means $1,000,000.

"Total Leverage Ratio" shall mean, as of any date, the ratio of (i) Consolidated Total Debt as of such date to (ii) Consolidated EBITDA for the four consecutive Fiscal Quarters ending on or immediately prior to such date for which financial statements are required to have been delivered under this Agreement.

"Trademark" shall have the meaning assigned to such term in the Guaranty and Security Agreement.

"Trademark Security Agreement" shall mean any Trademark Security Agreement executed by a Loan Party owning registered Trademarks or applications for Trademarks in favor of the Administrative Agent for the benefit of the Secured Parties, both on the Closing Date and thereafter.

"Trading with the Enemy Act" shall mean the Trading with the Enemy Act of the United States of America (50 U.S.C. App. §§ 1 et seq.), as amended and in effect from time to time.

"Type", when used in reference to a Loan or a Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the Adjusted LIBO Rate or the Base Rate.

"Unfinanced Cash Capital Expenditures" shall mean, for any period, the amount of Capital Expenditures made by the Borrower and its Subsidiaries during such period in cash, but excluding any such Capital Expenditures financed with Indebtedness permitted under Section 7.1(c) or that constitute reinvestment of proceeds as permitted under Section 2.12(a).

"Unfunded Pension Liability" of any Plan shall mean the amount, if any, by which the value of the accumulated plan benefits under the Plan, determined on a plan termination basis in accordance with actuarial assumptions at such time consistent with those prescribed by the PBGC for purposes of Section 4044 of ERISA, exceeds the fair market value of all Plan assets allocable to such liabilities under Title IV of ERISA (excluding any accrued but unpaid contributions).

"Uniform Commercial Code" or "UCC" shall mean the Uniform Commercial Code as in effect from time to time in the State of New York.

"United States" or "U.S." shall mean the United States of America.

"Unrestricted Account" shall have the meaning set forth in Section 5.11(a).

"U.S. Person" shall mean any Person that is a "United States person" as defined in Section 7701(a)(30) of the Code.

"U.S. Tax Compliance Certificate" shall have the meaning set forth in Section 2.20(g)(ii)(B)(iii).

"Withdrawal Liability" shall mean liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

"Withholding Agent" shall mean the Borrower, any other Loan Party or the Administrative Agent, as applicable.

"Working Capital" shall mean the average of the Current Assets less the Current Liabilities for the first three months of each Fiscal Year compared to the average of the Current Assets less the Current Liabilities for the last three months of such Fiscal Year.

Section 1.2. Classifications of Loans and Borrowings. For purposes of this Agreement, Loans may be classified and referred to by Class (e.g. "Revolving Loan" or "Term Loan") or by Type (e.g. "Eurodollar Loan" or "Base Rate Loan") or by Class and Type (e.g. "Revolving Eurodollar Loan"). Borrowings also may be classified and referred to by Class (e.g. "Revolving Borrowing") or by Type (e.g. "Eurodollar Borrowing") or by Class and Type (e.g. "Revolving Eurodollar Borrowing").

Section 1.3. Accounting Terms and Determination. Unless otherwise defined or specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared, in accordance with GAAP as in effect from time to time, applied on a basis consistent with the most recent audited consolidated financial statements of the Borrower delivered pursuant to Section 5.1(a) (or, if no such financial statements have been delivered, on a basis consistent with the audited consolidated financial statements of the Borrower last delivered to the Administrative Agent in connection with this Agreement); provided that if the Borrower notifies the Administrative Agent that the Borrower wishes to amend any covenant in Article VI to eliminate the effect of any change in GAAP on the operation of such covenant (or if the Administrative Agent notifies the Borrower that the Required Lenders wish to amend Article VI for such purpose), then the Borrower's compliance with such covenant shall be determined on the basis of GAAP in effect immediately before the relevant change in GAAP became effective, until either such notice is withdrawn or such covenant is amended in a manner satisfactory to the Borrower and the Required Lenders. Notwithstanding any other provision contained herein, all terms of an accounting or financial nature used herein shall be construed, and all computations of amounts and ratios referred to herein shall be made, without giving effect to any election under FASB ASC Section 825-10 (or any other Financial Accounting Standard having a similar result or effect) to value any Indebtedness or other liabilities of any Loan Party or any Subsidiary of any Loan Party at "fair value", as defined therein.

Section 1.4. Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and the word "to" means "to but excluding". Unless the context requires otherwise (i) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as it was originally executed or as it may from time to time be amended, restated, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (ii) any reference herein to any Person shall be construed to include such Person's successors and permitted assigns, (iii) the words "hereof", "herein" and "hereunder" and words of similar import shall be construed to refer to this Agreement as a whole and not to any particular provision hereof, (iv) all references to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles, Sections, Exhibits and Schedules to this Agreement, (v) any reference to any law or regulation herein shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time and (vi) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights. Unless otherwise indicated, all references to time are references to Eastern Standard Time or Eastern Daylight Savings Time, as the case may be. Unless otherwise expressly provided herein, all references to dollar amounts shall mean Dollars. In determining whether any individual event, act, condition or occurrence of the foregoing types could reasonably be expected to result in a Material Adverse Effect, notwithstanding that a particular event, act, condition or occurrence does not itself have such effect, a Material Adverse Effect shall be deemed to have occurred if the cumulative effect of such event, act, condition or occurrence and all other such events, acts, conditions or occurrences of the foregoing types which have occurred could reasonably be expected to result in a Material Adverse Effect.

ARTICLE II

AMOUNT AND TERMS OF THE COMMITMENTS

Section 2.1. General Description of Facilities. Subject to and upon the terms and conditions herein set forth, (i) the Lenders hereby establish in favor of the Borrower a revolving credit facility pursuant to which each Lender severally agrees (to the extent of such Lender's Revolving Commitment) to make Revolving Loans to the Borrower in accordance with Section 2.2; (ii) the Issuing Bank may issue Letters of Credit in accordance with Section 2.22; (iii) the Swingline Lender may make Swingline Loans in accordance with Section 2.4; (iv) each Lender agrees to purchase a participation interest in the Letters of Credit and the Swingline Loans pursuant to the terms and conditions hereof; provided that in no event shall the aggregate principal amount of all outstanding Revolving Loans, Swingline Loans and outstanding LC Exposure exceed the Aggregate Revolving Commitment Amount in effect from time to time; and (v) each Lender severally agrees to make a Term Loan to the Borrower in a principal amount not exceeding such Lender's Term Loan Commitment on the Closing Date.

Section 2.2. Revolving Loans. Subject to the terms and conditions set forth herein, each Lender severally agrees to make Revolving Loans, ratably in proportion to its Pro Rata Share of the Aggregate Revolving Commitments, to the Borrower, from time to time during the Availability Period, in an aggregate principal amount outstanding at any time that will not result in (a) such Lender's Revolving Credit Exposure exceeding such Lender's Revolving Commitment or (b) the aggregate Revolving Credit Exposures of all Lenders exceeding the Aggregate Revolving Commitment Amount. During the Availability Period, the Borrower shall be entitled to borrow, prepay and reborrow Revolving Loans in accordance with the terms and conditions of this Agreement; provided that the Borrower may not borrow or reborrow should there exist a Default or Event of Default.

Section 2.3. Procedure for Revolving Borrowings. The Borrower shall give the Administrative Agent written notice (or telephonic notice promptly confirmed in writing) of each Revolving Borrowing, substantially in the form of Exhibit 2.3 (a "Notice of Revolving Borrowing"), (x) prior to 11:00 a.m. one (1) Business Day prior to the requested date of each Base Rate Borrowing and (y) prior to 11:00 a.m. three (3) Business Days prior to the requested date of each Eurodollar Borrowing. Each Notice of Revolving Borrowing shall be irrevocable and shall specify (i) the aggregate principal amount of such Borrowing, (ii) the date of such Borrowing (which shall be a Business Day), (iii) the Type of such Revolving Loan comprising such Borrowing and (iv) in the case of a Eurodollar Borrowing, the duration of the initial Interest Period applicable thereto (subject to the provisions of the definition of Interest Period). Each Revolving Borrowing shall consist entirely of Base Rate Loans or Eurodollar Loans, as the Borrower may request. The aggregate principal amount of each Eurodollar Borrowing shall not be less than $2,000,000 or a larger multiple of $1,000,000, and the aggregate principal amount of each Base Rate Borrowing shall not be less than $1,000,000 or a larger multiple of $100,000; provided that Base Rate Loans made pursuant to Section 2.4 or 2.22(d) may be made in lesser amounts as provided therein. At no time shall the total number of Eurodollar Borrowings outstanding at any time exceed three (3). Promptly following the receipt of a Notice of Revolving Borrowing in accordance herewith, the Administrative Agent shall advise each Lender of the details thereof and the amount of such Lender's Revolving Loan to be made as part of the requested Revolving Borrowing.

Section 2.4. Swingline Commitment.

(a) Subject to the terms and conditions set forth herein, the Swingline Lender may, in its sole discretion, make Swingline Loans to the Borrower, from time to time during the Availability Period, in an aggregate principal amount outstanding at any time not to exceed the lesser of (i) the Swingline Commitment then in effect and (ii) the difference between the Aggregate Revolving Commitment Amount and the aggregate Revolving Credit Exposures of all Lenders; provided that the Swingline Lender shall not be required to make a Swingline Loan to refinance an outstanding Swingline Loan. The Borrower shall be entitled to borrow, repay and reborrow Swingline Loans in accordance with the terms and conditions of this Agreement.

(b) The Borrower shall give the Administrative Agent written notice (or telephonic notice promptly confirmed in writing) of each Swingline Borrowing, substantially in the form of Exhibit 2.4 (a "Notice of Swingline Borrowing"), prior to 10:00 a.m. on the requested date of each Swingline Borrowing. Each Notice of Swingline Borrowing shall be irrevocable and shall specify (i) the principal amount of such Swingline Borrowing, (ii) the date of such Swingline Borrowing (which shall be a Business Day) and (iii) the account of the Borrower to which the proceeds of such Swingline Borrowing should be credited. The Administrative Agent will promptly advise the Swingline Lender of each Notice of Swingline Borrowing. The aggregate principal amount of each Swingline Loan shall not be less than $100,000 or a larger multiple of $50,000, or such other minimum amounts agreed to by the Swingline Lender and the Borrower. The Swingline Lender will make the proceeds of each Swingline Loan available to the Borrower in Dollars in immediately available funds at the account specified by the Borrower in the applicable Notice of Swingline Borrowing not later than 1:00 p.m. on the requested date of such Swingline Borrowing.

(c) The Swingline Lender, at any time and from time to time in its sole discretion, may, but in no event no less frequently than once each calendar week shall, on behalf of the Borrower (which hereby irrevocably authorizes and directs the Swingline Lender to act on its behalf), give a Notice of Revolving Borrowing to the Administrative Agent requesting the Lenders (including the Swingline Lender) to make Base Rate Loans in an amount equal to the unpaid principal amount of any Swingline Loan. Each Lender will make the proceeds of its Base Rate Loan included in such Borrowing available to the Administrative Agent for the account of the Swingline Lender in accordance with Section 2.6, which will be used solely for the repayment of such Swingline Loan.

(d) If for any reason a Base Rate Borrowing may not be (as determined in the sole discretion of the Administrative Agent), or is not, made in accordance with the foregoing provisions, then each Lender (other than the Swingline Lender) shall purchase an undivided participating interest in such Swingline Loan in an amount equal to its Pro Rata Share thereof on the date that such Base Rate Borrowing should have occurred. On the date of such required purchase, each Lender shall promptly transfer, in immediately available funds, the amount of its participating interest to the Administrative Agent for the account of the Swingline Lender.

(e) Each Lender's obligation to make a Base Rate Loan pursuant to subsection (c) of this Section or to purchase participating interests pursuant to subsection (d) of this Section shall be absolute and unconditional and shall not be affected by any circumstance, including, without limitation, (i) any set-off, counterclaim, recoupment, defense or other right that such Lender or any other Person may have or claim against the Swingline Lender, the Borrower or any other Person for any reason whatsoever, (ii) the existence of a Default or an Event of Default or the termination of any Lender's Revolving Commitment, (iii) the existence (or alleged existence) of any event or condition which has had or could reasonably be expected to have a Material Adverse Effect, (iv) any breach of this Agreement or any other Loan Document by any Loan Party, the Administrative Agent or any Lender or (v) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing. If such amount is not in fact made available to the Swingline Lender by any Lender, the Swingline Lender shall be entitled to recover such amount on demand from such Lender, together with accrued interest thereon for each day from the date of demand thereof (x) at the Federal Funds Rate until the second Business Day after such demand and (y) at the Base Rate at all times thereafter. Until such time as such Lender makes its required payment, the Swingline Lender shall be deemed to continue to have outstanding Swingline Loans in the amount of the unpaid participation for all purposes of the Loan Documents. In addition, such Lender shall be deemed to have assigned any and all payments made of principal and interest on its Loans and any other amounts due to it hereunder to the Swingline Lender to fund the amount of such Lender's participation interest in such Swingline Loans that such Lender failed to fund pursuant to this Section, until such amount has been purchased in full.

Section 2.5. Term Loan Commitments. Subject to the terms and conditions set forth herein, each Lender severally agrees to make a single term loan to the Borrower on the Closing Date in a principal amount equal to the Term Loan Commitment of such Lender. The Term Loans may be, from time to time, Base Rate Loans or Eurodollar Loans or a combination thereof; provided that, unless the Borrower notifies the Administrative Agent prior to 11:00 a.m. three (3) Business Days prior to the Closing Date or executes a funding indemnity letter in form satisfactory to the Administrative Agent, on the Closing Date all Term Loans shall be Base Rate Loans. The execution and delivery of this Agreement by the Borrower and the satisfaction of all conditions precedent pursuant to Section 3.1 shall be deemed to constitute the Borrower's request to borrow the Term Loans on the Closing Date.

Section 2.6. Funding of Borrowings.

(a) Each Lender will make available each Loan to be made by it hereunder on the proposed date thereof by wire transfer in immediately available funds by 11:00 a.m. to the Administrative Agent at the Payment Office; provided that the Swingline Loans will be made as set forth in Section 2.4. The Administrative Agent will make such Loans available to the Borrower by promptly crediting the amounts that it receives, in like funds by the close of business on such proposed date, to an account maintained by the Borrower with the Administrative Agent or, at the Borrower's option, by effecting a wire transfer of such amounts to an account designated by the Borrower to the Administrative Agent.

(b) Unless the Administrative Agent shall have been notified by any Lender prior to 5:00 p.m. one (1) Business Day prior to the date of a Borrowing in which such Lender is to participate that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such amount available to the Administrative Agent on such date, and the Administrative Agent, in reliance on such assumption, may make available to the Borrower on such date a corresponding amount. If such corresponding amount is not in fact made available to the Administrative Agent by such Lender on the date of such Borrowing, the Administrative Agent shall be entitled to recover such corresponding amount on demand from such Lender together with interest (x) at the Federal Funds Rate until the second Business Day after such demand and (y) at the Base Rate at all times thereafter. If such Lender does not pay such corresponding amount forthwith upon the Administrative Agent's demand therefor, the Administrative Agent shall promptly notify the Borrower, and the Borrower shall immediately pay such corresponding amount to the Administrative Agent together with interest at the rate specified for such Borrowing. Nothing in this subsection shall be deemed to relieve any Lender from its obligation to fund its Pro Rata Share of any Borrowing hereunder or to prejudice any rights which the Borrower may have against any Lender as a result of any default by such Lender hereunder.

(c) All Revolving Borrowings shall be made by the Lenders on the basis of their respective Pro Rata Shares. No Lender shall be responsible for any default by any other Lender in its obligations hereunder, and each Lender shall be obligated to make its Loans provided to be made by it hereunder, regardless of the failure of any other Lender to make its Loans hereunder.

Section 2.7. Interest Elections.

(a) Each Borrowing initially shall be of the Type specified in the applicable Notice of Borrowing. Thereafter, the Borrower may elect to convert such Borrowing into a different Type or to continue such Borrowing, all as provided in this Section. The Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing.

(b) To make an election pursuant to this Section, the Borrower shall give the Administrative Agent written notice (or telephonic notice promptly confirmed in writing) of each Borrowing that is to be converted or continued, as the case may be, substantially in the form of Exhibit 2.7 (a "Notice of Conversion/Continuation") (x) prior to 10:00 a.m. one (1) Business Day prior to the requested date of a conversion into a Base Rate Borrowing and (y) prior to 11:00 a.m. three (3) Business Days prior to a continuation of or conversion into a Eurodollar Borrowing. Each such Notice of Conversion/Continuation shall be irrevocable and shall specify (i) the Borrowing to which such Notice of Conversion/Continuation applies and, if different options are being elected with respect to different portions thereof, the portions thereof that are to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) shall be specified for each resulting Borrowing), (ii) the effective date of the election made pursuant to such Notice of Conversion/Continuation, which shall be a Business Day, (iii) whether the resulting Borrowing is to be a Base Rate Borrowing or a Eurodollar Borrowing, and (iv) if the resulting Borrowing is to be a Eurodollar Borrowing, the Interest Period applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of "Interest Period". If any such Notice of Conversion/Continuation requests a Eurodollar Borrowing but does not specify an Interest Period, the Borrower shall be deemed to have selected an Interest Period of one month. The principal amount of any resulting Borrowing shall satisfy the minimum borrowing amount for Eurodollar Borrowings and Base Rate Borrowings set forth in Section 2.3.

(c) If, on the expiration of any Interest Period in respect of any Eurodollar Borrowing, the Borrower shall have failed to deliver a Notice of Conversion/Continuation, then, unless such Borrowing is repaid as provided herein, the Borrower shall be deemed to have elected to convert such Borrowing to a Base Rate Borrowing. No Borrowing may be converted into, or continued as, a Eurodollar Borrowing if a Default or an Event of Default exists, unless the Administrative Agent and each of the Lenders shall have otherwise consented in writing. No conversion of any Eurodollar Loan shall be permitted except on the last day of the Interest Period in respect thereof.

(d) Upon receipt of any Notice of Conversion/Continuation, the Administrative Agent shall promptly notify each Lender of the details thereof and of such Lender's portion of each resulting Borrowing.

Section 2.8. Optional Reduction and Termination of Commitments.

(a) Unless previously terminated, all Revolving Commitments, Swingline Commitments and LC Commitments shall terminate on the Revolving Commitment Termination Date. The Term Loan Commitments shall terminate on the Closing Date upon the making of the Term Loans pursuant to Section 2.5.

(b) Upon at least three (3) Business Days' prior written notice (or telephonic notice promptly confirmed in writing) to the Administrative Agent (which notice shall be irrevocable), the Borrower may reduce the Aggregate Revolving Commitments in part or terminate the Aggregate Revolving Commitments in whole; provided that (i) any partial reduction shall apply to reduce proportionately and permanently the Revolving Commitment of each Lender, (ii) any partial reduction pursuant to this Section shall be in an amount of at least $1,000,000 and any larger multiple of $500,000, and (iii) no such reduction shall be permitted which would reduce the Aggregate Revolving Commitment Amount to an amount less than the aggregate outstanding Revolving Credit Exposure of all Lenders. Any such reduction in the Aggregate Revolving Commitment Amount below the principal amount of the Swingline Commitment and the LC Commitment shall result in a dollar-for-dollar reduction in the Swingline Commitment and the LC Commitment.

(c) With the written approval of the Administrative Agent, the Borrower may terminate (on a non-ratable basis) the unused amount of the Revolving Commitment of a Defaulting Lender, and in such event the provisions of Section 2.26 will apply to all amounts thereafter paid by the Borrower for the account of any such Defaulting Lender under this Agreement (whether on account of principal, interest, fees, indemnity or other amounts); provided that such termination will not be deemed to be a waiver or release of any claim that the Borrower, the Administrative Agent, the Issuing Bank, the Swingline Lender or any other Lender may have against such Defaulting Lender.

Section 2.9. Repayment of Loans.

(a) The outstanding principal amount of all Revolving Loans and Swingline Loans shall be due and payable (together with accrued and unpaid interest thereon) on the Revolving Commitment Termination Date.

(b) The Borrower unconditionally promises to pay to the Administrative Agent for the account of each Lender the then unpaid principal amount of the Term Loan of such Lender in installments payable on the dates set forth below, with each such installment being in the aggregate principal amount for all Lenders set forth opposite such date below (and on such other date(s) and in such other amounts as may be required from time to time pursuant to this Agreement):

Installment Date	Principal Amount
March 31, 2016	$625,000
June 30, 2016	$625,000
September 30, 2016	$625,000
December 31, 2016	$625,000
March 31, 2017	$937,500
June 30, 2017	$937,500
September 30, 2017	$937,500
December 31, 2017	$937,500
March 31, 2018	$1,250,000
June 30, 2018	$1,250,000
September 30, 2018	$1,250,000
December 31, 2018	$1,250,000
March 31, 2019	$1,250,000
June 30, 2019	$1,250,000
September 30, 2019	$1,250,000
Maturity Date	All Term Loans outstanding

provided that, to the extent not previously paid, the aggregate unpaid principal balance of the Term Loans shall be due and payable on the Maturity Date.

Section 2.10. Evidence of Indebtedness.

(a) Each Lender shall maintain in accordance with its usual practice appropriate records evidencing the Indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender from time to time, including the amounts of principal and interest payable thereon and paid to such Lender from time to time under this Agreement. The Administrative Agent shall maintain appropriate records in which shall be recorded (i) the Revolving Commitment and the Term Loan Commitment of each Lender, (ii) the amount of each Loan made hereunder by each Lender, the Class and Type thereof and, in the case of each Eurodollar Loan, the Interest Period applicable thereto, (iii) the date of any continuation of any Loan pursuant to Section 2.7, (iv) the date of any conversion of all or a portion of any Loan to another Type pursuant to Section 2.7, (v) the date and amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder in respect of the Loans and (vi) both the date and amount of any sum received by the Administrative Agent hereunder from the Borrower in respect of the Loans and each Lender's Pro Rata Share thereof. The entries made in such records shall be *prima facie* evidence of the existence and amounts of the obligations of the Borrower therein recorded; provided that the failure or delay of any Lender or the Administrative Agent in maintaining or making entries into any such record or any error therein shall not in any manner affect the obligation of the Borrower to repay the Loans (both principal and unpaid accrued interest) of such Lender in accordance with the terms of this Agreement.

(b) This Agreement evidences the obligation of the Borrower to repay the Loans and is being executed as a "noteless" credit agreement. However, at the request of any Lender (including the Swingline Lender) at any time, the Borrower agrees that it will prepare, execute and deliver to such Lender a promissory note payable to the order of such Lender (or, if requested by such Lender, to such Lender and its registered assigns) and in a form approved by the Administrative Agent. Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment permitted hereunder) be represented by one or more promissory notes in such form payable to the order of the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

Section 2.11. Optional Prepayments. The Borrower shall have the right at any time and from time to time to prepay any Borrowing, in whole or in part, without premium or penalty, by giving written notice (or telephonic notice promptly confirmed in writing) to the Administrative Agent no later than (i) in the case of any prepayment of any Eurodollar Borrowing, 11:00 a.m. not less than three (3) Business Days prior to the date of such prepayment, (ii) in the case of any prepayment of any Base Rate Borrowing, not less than one (1) Business Day prior to the date of such prepayment, and (iii) in the case of any prepayment of any Swingline Borrowing, prior to 11:00 a.m. on the date of such prepayment. Each such notice shall be irrevocable and shall specify the proposed date of such prepayment and the principal amount of each Borrowing or portion thereof to be prepaid. Upon receipt of any such notice, the Administrative Agent shall promptly notify each affected Lender of the contents thereof and of such Lender's Pro Rata Share of any such prepayment. If such notice is given, the aggregate amount specified in such notice shall be due and payable on the date designated in such notice, together with accrued interest to such date on the amount so prepaid in accordance with Section 2.13(d); provided that if a Eurodollar Borrowing is prepaid on a date other than the last day of an Interest Period applicable thereto, the Borrower shall also pay all amounts required pursuant to Section 2.19. Each partial prepayment of any Loan shall be in an amount that would be permitted in the case of an advance of a Revolving Borrowing of the same Type pursuant to Section 2.2 or, in the case of a Swingline Loan, pursuant to Section 2.4. Each optional prepayment of a Borrowing shall be applied ratably to the Loans comprising such Borrowing and, in the case of a prepayment of a Term Loan Borrowing, to principal installments in direct order of maturity (or as otherwise specified by the Borrower).

Section 2.12. Mandatory Prepayments.

(a) Immediately upon receipt by Holdings or any of its Subsidiaries of any proceeds of any sale, transfer or other disposition by Holdings or any of its Subsidiaries of any of its assets (other than to a Borrower Loan Party and other than asset sales permitted pursuant to Section 7.6(a) and (b)), or any proceeds from any casualty insurance policies or eminent domain, condemnation or similar proceedings, Holdings and the Borrower shall prepay the Obligations in an amount equal to 100% of such proceeds, net of commissions and other reasonable and customary transaction costs, fees and expenses properly attributable to such transaction or event and payable by Holdings or the Borrower in connection therewith (in each case, paid to non-Affiliates); provided that the Borrower shall not be required to prepay the Obligations if the following conditions are satisfied: (i) promptly following the sale, transfer or other disposition, or other event giving rise to the receipt of such proceeds, the Borrower provides to the Administrative Agent a certificate executed by a Responsible Officer of the Borrower ("Reinvestment Certificate") stating (x) that the applicable event giving rise to the receipt of such proceeds has occurred, (y) that no Default or Event of Default has occurred and is continuing either as of the date of event giving rise to the receipt of such proceeds or as of the date of the Reinvestment Certificate, and (z) a description of the planned Reinvestment of the proceeds thereof, (ii) the Reinvestment of such proceeds is commenced within the Initial Reinvestment Period and completed within the Reinvestment Period, (iii) no Default or Event of Default has occurred and is continuing at the time of the application of such proceeds to Reinvestment and (iv) until Reinvested, such proceeds are held in Controlled Accounts at SunTrust Bank or subject to Control Account Agreements. If any such proceeds have not been Reinvested at the end of the Reinvestment Period, the Borrower shall promptly pay such proceeds to the Administrative Agent, to be applied to repay the Term Loan in accordance with subsection (e) of this Section.

(b) No later than the Business Day following the date of receipt by Holdings or any of its Subsidiaries of any proceeds from any issuance of Indebtedness or equity securities (including any Specified Equity Contribution but excluding an Excluded Equity Contribution) by Holdings or any of its Subsidiaries, or any capital contribution to the Borrower or Holdings (including any Specified Equity Contribution but excluding an Excluded Equity Contribution), Holdings and the Borrower shall prepay the Obligations in an amount equal to all such proceeds (except in the case of proceeds from the issuance of equity securities or capital contributions (other than any Specified Equity Contribution), such amount shall be limited to an amount equal to 50% of such proceeds (and, in the case of any Specified Equity Contribution, such amount shall be equal to 100% of such proceeds)), net of underwriting discounts and commissions and other reasonable and customary transaction costs, fees and expenses properly attributable to such transaction and payable by Holdings or the Borrower in connection therewith (in each case, paid to non-Affiliates); provided that neither Holdings nor the Borrower shall not be required to prepay the Obligations with respect to (i) proceeds of Indebtedness permitted under Section 7.1, (ii) proceeds of Capital Stock issued by a Borrower Loan Party to another Borrower Loan Party and (iii) proceeds of Capital Stock issued by the Borrower to Holdings (or capital contributions made by Holdings to the Borrower) so long as such proceeds are used to finance a substantially contemporaneous Permitted Acquisition, Capital Expenditure or other Investment permitted under Section 7.4(g). Any such prepayment shall be applied in accordance with subsection (e) of this Section.

(c) Commencing with the Fiscal Year ending December 31, 2016, no later than five (5) Business Days after the date on which the Borrower's annual audited financial statements for such Fiscal Year are required to be delivered pursuant to Section 5.1(a), (i) to the extent that the Total Leverage Ratio as of the last day of such Fiscal Year is greater than or equal to 1.50:1.00, the Borrower shall prepay the Obligations in an amount equal to 75% of Excess Cash Flow for such Fiscal Year, (ii) to the extent that the Total Leverage Ratio as of the last day of such Fiscal Year is less than 1.50:1.00 but greater than or equal to 1.25:1.00, the Borrower shall prepay the Obligations in an amount equal to 50% of Excess Cash Flow for such Fiscal Year, (iii) to the extent that the Total Leverage Ratio as of the last day of such Fiscal Year is less than 1.25:1.00 but greater than or equal to 1.00:1.00, the Borrower shall prepay the Obligations in an amount equal to 25% of Excess Cash Flow for such Fiscal Year and (iv) to the extent that the Total Leverage Ratio as of the last day of such Fiscal Year is less than 1.00:1.00, the Borrower shall not be required to prepay any Obligations in respect of Excess Cash Flow for such Fiscal Year. Any such prepayment shall be applied in accordance with subsection (e) of this Section. Any such prepayment shall be accompanied by a certificate signed by the Borrower's chief financial officer certifying in reasonable detail the manner in which Excess Cash Flow and the resulting prepayment were calculated, which certificate shall be in form and substance reasonably satisfactory to the Administrative Agent.

(d) Immediately upon receipt by the Parent, Holdings, the Borrower or any of the Subsidiaries of Holdings or the Borrower of proceeds of any indemnification payment, purchase price adjustment or similar payment (including receipt thereof by way of set-off rights under the Closing Date Acquisition Agreement) under the Closing Date Acquisition Agreement, Holdings and the Borrower shall (and shall cause the Parent to) prepay the Term Loans from such proceeds in an amount necessary so that the percentage of debt in the total pro forma capitalization of Holdings and its Subsidiaries as of such prepayment (taking such prepayment into consideration) shall equal the percentage of debt in the total pro forma capitalization of Holdings and its Subsidiaries as of the Closing Date (it being understood and agreed that any portion of the Holdback Amount (as defined in the Closing Date Acquisition Agreement) that is set off against or is not otherwise required to be paid to the Participating Holders (as defined in the Closing Date Acquisition Agreement) in accordance with the terms of the Closing Date Acquisition Agreement shall be deemed to be received by the Borrower as proceeds pursuant to this clause (d)). Any such prepayment shall be applied in accordance with subsection (e) of this Section.

(e) Any prepayments made by Holdings and the Borrower pursuant to subsection (a), (b), (c) or (d) of this Section shall be applied as follows: first, to the Administrative Agent's fees and reimbursable expenses then due and payable pursuant to any of the Loan Documents; second, to all reimbursable expenses of the Lenders and all fees and reimbursable expenses of the Issuing Bank then due and payable pursuant to any of the Loan Documents, *pro rata* to the Lenders and the Issuing Bank based on their respective *pro rata* shares of such fees and expenses; third, to interest and fees then due and payable hereunder, *pro rata* to the Lenders based on their respective *pro rata* shares of such interest and fees; fourth, to the principal balance of the Term Loans, until the same shall have been paid in full, *pro rata* to the Lenders based on their Pro Rata Shares of the Term Loans, and applied to installments of the Term Loans on a *pro rata* basis (including, without limitation, the final payment due on the Maturity Date); fifth, to the principal balance of the Swingline Loans, until the same shall have been paid in full, to the Swingline Lender; sixth, to the principal balance of the Revolving Loans, until the same shall have been paid in full, *pro rata* to the Lenders based on their respective Revolving Commitments; and seventh, to Cash Collateralize the Letters of Credit in an amount in cash equal to the LC Exposure as of such date plus any accrued and unpaid fees thereon. The Revolving Commitments of the Lenders shall not be permanently reduced by the amount of any prepayments made pursuant to clauses fifth through seventh above, unless an Event of Default has occurred and is continuing and the Required Revolving Lenders so request.

(f) Anything contained herein to the contrary notwithstanding, so long as any Term Loans are outstanding, in the event Holdings or the Borrower is required to make any mandatory prepayment (a "Waivable Mandatory Prepayment") of the Term Loans pursuant to this Section, not less than three (3) Business Days prior to the date (the "Required Prepayment Date") on which Holdings or the Borrower is required to make such Waivable Mandatory Prepayment, the Borrower shall notify the Administrative Agent of the amount of such prepayment, and the Administrative Agent will promptly thereafter notify each Lender holding an outstanding Term Loans of the amount of such Lender's Pro Rata Share of such Waivable Mandatory Prepayment and such Lender's option to refuse such amount. Each such Lender may exercise such option by giving written notice to the Borrower and the Administrative Agent of its election to do so on or before the first Business Day prior to the Required Prepayment Date (it being understood that any Lender which does not notify the Borrower and the Administrative Agent of its election to exercise such option on or before the first Business Day prior to the Required Prepayment Date shall be deemed to have elected, as of such date, not to exercise such option to refuse such amount). On the Required Prepayment Date, the Borrower shall pay to the Administrative Agent the amount of the Waivable Mandatory Prepayment, which amount shall be paid to those Lenders that have elected not to exercise such option, based on the Pro Rata Share of each such Lender, to prepay the Term Loans of such Lenders (which prepayment shall be applied in accordance with subsection (e) of this Section). Any amounts not used to prepay the Term Loans in accordance with the above terms in this clause (f) may be retained by the Borrower.

(g) If at any time the aggregate Revolving Credit Exposure of all Lenders exceeds the Aggregate Revolving Commitment Amount, as reduced pursuant to Section 2.8 or otherwise, the Borrower shall immediately repay the Swingline Loans and the Revolving Loans in an amount equal to such excess, together with all accrued and unpaid interest on such excess amount and any amounts due under Section 2.19. Each prepayment shall be applied as follows: first, to the Swingline Loans to the full extent thereof; second, to the Base Rate Loans to the full extent thereof; and third, to the Eurodollar Loans to the full extent thereof. If, after giving effect to prepayment of all Swingline Loans and Revolving Loans, the aggregate Revolving Credit Exposure of all Lenders exceeds the Aggregate Revolving Commitment Amount, the Borrower shall Cash Collateralize its reimbursement obligations with respect to all Letters of Credit in an amount equal to such excess plus any accrued and unpaid fees thereon.

Section 2.13. Interest on Loans.

(a) The Borrower shall pay interest on (i) each Base Rate Loan at the Base Rate plus the Applicable Margin in effect from time to time and (ii) each Eurodollar Loan at the Adjusted LIBO Rate for the applicable Interest Period in effect for such Loan plus the Applicable Margin in effect from time to time.

(b) The Borrower shall pay interest on each Swingline Loan at the Base Rate plus the Applicable Margin in effect from time to time.

(c) Notwithstanding subsections (a) and (b) of this Section, at the option of the Required Lenders if an Event of Default has occurred and is continuing, and automatically after acceleration or with respect to any past due amount hereunder, the Borrower shall pay interest ("Default Interest") with respect to all Eurodollar Loans at the rate *per annum* equal to 200 basis points above the otherwise applicable interest rate for such Eurodollar Loans for the then-current Interest Period until the last day of such Interest Period, and thereafter, and with respect to all Base Rate Loans and all other Obligations hereunder (other than Loans), at the rate *per annum* equal to 200 basis points above the otherwise applicable interest rate for Base Rate Loans.

(d) Interest on the principal amount of all Loans shall accrue from and including the date such Loans are made to but excluding the date of any repayment thereof. Interest on all outstanding Base Rate Loans and Swingline Loans shall be payable quarterly in arrears on the last day of each March, June, September and December and on the Revolving Commitment Termination Date or the Maturity Date, as the case may be. Interest on all outstanding Eurodollar Loans shall be payable on the last day of each Interest Period applicable thereto, and, in the case of any Eurodollar Loans having an Interest Period in excess of three months, on each day which occurs every three months after the initial date of such Interest Period, and on the Revolving Commitment Termination Date or the Maturity Date, as the case may be. Interest on any Loan which is converted into a Loan of another Type or which is repaid or prepaid shall be payable on the date of such conversion or on the date of any such repayment or prepayment (on the amount repaid or prepaid) thereof. All Default Interest shall be payable on demand.

(e) The Administrative Agent shall determine each interest rate applicable to the Loans hereunder and shall promptly notify the Borrower and the Lenders of such rate in writing (or by telephone, promptly confirmed in writing). Any such determination shall be conclusive and binding for all purposes, absent manifest error.

Section 2.14. Fees.

(a) The Borrower shall pay to the Administrative Agent for its own account fees in the amounts and at the times previously agreed upon in writing by the Borrower and the Administrative Agent.

(b) The Borrower agrees to pay to the Administrative Agent for the account of each Lender a commitment fee (the "Commitment Fee"), which shall accrue at the Applicable Percentage *per annum* on the daily amount of the unused Revolving Commitment of such Lender during the Availability Period. For purposes of computing the commitment fee, the Revolving Commitment of each Lender shall be deemed used to the extent of the outstanding Revolving Loans and LC Exposure, but not Swingline Exposure, of such Lender.

(c) The Borrower agrees to pay (i) to the Administrative Agent, for the account of each Lender, a letter of credit fee with respect to its participation in each Letter of Credit, which shall accrue at a rate *per annum* equal to the Applicable Margin for Eurodollar Loans then in effect on the average daily amount of such Lender's LC Exposure attributable to such Letter of Credit during the period from and including the date of issuance of such Letter of Credit to but excluding the date on which such Letter of Credit expires or is drawn in full (including, without limitation, any LC Exposure that remains outstanding after the Revolving Commitment Termination Date) and (ii) to the Issuing Bank for its own account a fronting fee, which shall accrue at the rate set forth in the Fee Letter on the average daily amount of the LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the Availability Period (or until the date that such Letter of Credit is irrevocably cancelled, whichever is later), as well as the Issuing Bank's standard fees with respect to issuance, amendment, renewal or extension of any Letter of Credit or processing of drawings thereunder. Notwithstanding the foregoing, if the Required Lenders elect to increase the interest rate on the Loans to the rate for Default Interest pursuant to Section 2.13(c), the rate *per annum* used to calculate the letter of credit fee pursuant to clause (i) above shall automatically be increased by 2.00%.

(d) The Borrower shall pay on the Closing Date to the Administrative Agent and its affiliates all fees in the Fee Letter that are due and payable on the Closing Date.

(e) Accrued fees under subsections (b) and (c) of this Section (if any) shall be payable quarterly in arrears on the last day of each March, June, September and December, commencing on the first such date after such fees begin to accrue, and on the Revolving Commitment Termination Date (and, if later, the date the Loans and LC Exposure shall be repaid in their entirety); provided that any such fees accruing after the Revolving Commitment Termination Date shall be payable on demand.

Section 2.15. Computation of Interest and Fees. Interest hereunder based on the Administrative Agent's prime lending rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year) and paid for the actual number of days elapsed (including the first day but excluding the last day). All other interest and all fees hereunder shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed (including the first day but excluding the last day). Each determination by the Administrative Agent of an interest rate or fee hereunder shall be made in good faith and, except for manifest error, shall be final, conclusive and binding for all purposes.

Section 2.16. Inability to Determine Interest Rates. If, prior to the commencement of any Interest Period for any Eurodollar Borrowing:

(i) the Administrative Agent shall have determined (which determination shall be conclusive and binding upon the Borrower) that, by reason of circumstances affecting the relevant interbank market, adequate means do not exist for ascertaining the Adjusted LIBO Rate for such Interest Period, or

(ii) the Administrative Agent shall have received notice from the Required Lenders that the Adjusted LIBO Rate does not adequately and fairly reflect the cost to such Lenders of making, funding or maintaining their Eurodollar Loans for such Interest Period,

the Administrative Agent shall give written notice (or telephonic notice, promptly confirmed in writing) to the Borrower and to the Lenders as soon as practicable thereafter. Until the Administrative Agent shall notify the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, (i) the obligations of the Lenders to make Eurodollar Revolving Loans or to continue or convert outstanding Loans as or into Eurodollar Loans shall be suspended and (ii) all such affected Loans shall be converted into Base Rate Loans on the last day of the then current Interest Period applicable thereto unless the Borrower prepays such Loans in accordance with this Agreement. Unless the Borrower notifies the Administrative Agent at least one (1) Business Day before the date of any Eurodollar Borrowing for which a Notice of Revolving Borrowing or a Notice of Conversion/ Continuation has previously been given that it elects not to borrow, continue or convert to a Eurodollar Borrowing on such date, then such Revolving Borrowing shall be made as, continued as or converted into a Base Rate Borrowing.

Section 2.17. Illegality. If any Change in Law shall make it unlawful or impossible for any Lender to make, maintain or fund any Eurodollar Loan and such Lender shall so notify the Administrative Agent, the Administrative Agent shall promptly give notice thereof to the Borrower and the other Lenders, whereupon until such Lender notifies the Administrative Agent and the Borrower that the circumstances giving rise to such suspension no longer exist, the obligation of such Lender to make Eurodollar Revolving Loans, or to continue or convert outstanding Loans as or into Eurodollar Loans, shall be suspended. In the case of the making of a Eurodollar Borrowing, such Lender's Revolving Loan shall be made as a Base Rate Loan as part of the same Revolving Borrowing for the same Interest Period and, if the affected Eurodollar Loan is then outstanding, such Loan shall be converted to a Base Rate Loan either (i) on the last day of the then current Interest Period applicable to such Eurodollar Loan if such Lender may lawfully continue to maintain such Loan to such date or (ii) immediately if such Lender shall determine that it may not lawfully continue to maintain such Eurodollar Loan to such date. Notwithstanding the foregoing, the affected Lender shall, prior to giving such notice to the Administrative Agent, designate a different Applicable Lending Office if such designation would avoid the need for giving such notice and if such designation would not otherwise be disadvantageous to such Lender in the good faith exercise of its discretion.

Section 2.18. Increased Costs.

(a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement that is not otherwise included in the determination of the Adjusted LIBO Rate hereunder against assets of, deposits with or for the account of, or credit extended by, any Lender (except any such reserve requirement reflected in the Adjusted LIBO Rate) or the Issuing Bank; or

(ii) impose on any Lender, the Issuing Bank or the eurodollar interbank market any other condition affecting this Agreement or any Eurodollar Loans made by such Lender or any Letter of Credit or any participation therein;

and the result of any of the foregoing is to increase the cost to such Lender of making, converting into, continuing or maintaining a Eurodollar Loan or to increase the cost to such Lender or the Issuing Bank of participating in or issuing any Letter of Credit or to reduce the amount received or receivable by such Lender or the Issuing Bank hereunder (whether of principal, interest or any other amount),

then, from time to time, such Lender or the Issuing Bank may provide the Borrower (with a copy thereof to the Administrative Agent) with written notice and demand with respect to such increased costs or reduced amounts, and within five (5) Business Days after receipt of such notice and demand the Borrower shall pay to such Lender or the Issuing Bank, as the case may be, such additional amounts as will compensate such Lender or the Issuing Bank for any such increased costs incurred or reduction suffered.

(b) If any Lender or the Issuing Bank shall have determined that on or after the date of this Agreement any Change in Law regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on such Lender's or the Issuing Bank's capital (or on the capital of the Parent Company of such Lender or the Issuing Bank) as a consequence of its obligations hereunder or under or in respect of any Letter of Credit to a level below that which such Lender, the Issuing Bank or such Parent Company could have achieved but for such Change in Law (taking into consideration such Lender's or the Issuing Bank's policies or the policies of such Parent Company with respect to capital adequacy and liquidity), then, from time to time, such Lender or the Issuing Bank may provide the Borrower (with a copy thereof to the Administrative Agent) with written notice and demand with respect to such reduced amounts, and within five (5) Business Days after receipt of such notice and demand the Borrower shall pay to such Lender or the Issuing Bank, as the case may be, such additional amounts as will compensate such Lender, the Issuing Bank or such Parent Company for any such reduction suffered.

(c) A certificate of such Lender or the Issuing Bank setting forth the amount or amounts necessary to compensate such Lender, the Issuing Bank or the Parent Company of such Lender or the Issuing Bank, as the case may be, specified in subsection (a) or (b) of this Section shall be delivered to the Borrower (with a copy to the Administrative Agent) and shall be conclusive, absent manifest error.

(d) Failure or delay on the part of any Lender or the Issuing Bank to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's or the Issuing Bank's right to demand such compensation.

Section 2.19. Funding Indemnity. In the event of (a) the payment of any principal of a Eurodollar Loan other than on the last day of the Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion or continuation of a Eurodollar Loan other than on the last day of the Interest Period applicable thereto, or (c) the failure by the Borrower to borrow, prepay, convert or continue any Eurodollar Loan on the date specified in any applicable notice (regardless of whether such notice is withdrawn or revoked), then, in any such event, the Borrower shall compensate each Lender, within five (5) Business Days after written demand from such Lender, for any loss, cost or expense attributable to such event. In the case of a Eurodollar Loan, such loss, cost or expense shall be deemed to include an amount determined by such Lender to be the excess, if any, of (A) the amount of interest that would have accrued on the principal amount of such Eurodollar Loan if such event had not occurred at the Adjusted LIBO Rate applicable to such Eurodollar Loan for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period for such Eurodollar Loan) over (B) the amount of interest that would accrue on the principal amount of such Eurodollar Loan for the same period if the Adjusted LIBO Rate were set on the date such Eurodollar Loan was prepaid or converted or the date on which the Borrower failed to borrow, convert or continue such Eurodollar Loan. A certificate as to any additional amount payable under this Section submitted to the Borrower by any Lender (with a copy to the Administrative Agent) shall be conclusive, absent manifest error.

Section 2.20. Taxes.

(a) Defined Terms. For purposes of this Section 2.20, the term "Lender" includes Issuing Bank and the term "applicable law" includes FATCA.

(b) Payments Free of Taxes. Any and all payments by or on account of any obligation of any Loan Party under any Loan Document shall be made without deduction or withholding for any Taxes, except as required by applicable law. If any applicable law (as determined in the good faith discretion of an applicable Withholding Agent) requires the deduction or withholding of any Tax from any such payment by a Withholding Agent, then the applicable Withholding Agent shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with applicable law and, if such Tax is an Indemnified Tax, then the sum payable by the applicable Loan Party shall be increased as necessary so that after such deduction or withholding has been made (including such deductions and withholdings applicable to additional sums payable under this Section) the applicable Recipient receives an amount equal to the sum it would have received had no such deduction or withholding been made.

(c) Payment of Other Taxes by the Borrower. The Borrower shall timely pay to the relevant Governmental Authority in accordance with applicable law, or at the option of the Administrative Agent timely reimburse it for the payment of, any Other Taxes.

(d) Indemnification by the Borrower. The Borrower shall indemnify each Recipient, within 10 days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section) payable or paid by such Recipient or required to be withheld or deducted from a payment to such Recipient and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(e) Indemnification by the Lenders. Each Lender shall severally indemnify the Administrative Agent, within 10 days after demand therefor, for (i) any Indemnified Taxes attributable to such Lender (but only to the extent that the Borrower has not already indemnified the Administrative Agent for such Indemnified Taxes and without limiting the obligation of the Borrower to do so), (ii) any Taxes attributable to such Lender's failure to comply with the provisions of Section 10.4(d) relating to the maintenance of a Participant Register and (iii) any Excluded Taxes attributable to such Lender, in each case, that are payable or paid by the Administrative Agent in connection with any Loan Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender under any Loan Document or otherwise payable by the Administrative Agent to the Lender from any other source against any amount due to the Administrative Agent under this paragraph (e).

(f) Evidence of Payments. As soon as practicable after any payment of Taxes by the Borrower or any other Loan Party to a Governmental Authority pursuant to this Section 2.20, the Borrower or other Loan Party shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(g) Status of Lenders.

(i) Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Loan Document shall deliver to the Borrower and the Administrative Agent, at the time or times reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Borrower or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by the Borrower or the Administrative Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Sections 2.20(g)(ii)(A), 2.20(g)(ii)(B) and 2.20(g)(ii)(D)) shall not be required if in the Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(ii) Without limiting the generality of the foregoing,

(A) Any Lender that is a U.S. Person shall deliver to the Borrower and the Administrative Agent on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed originals of IRS Form W-9 certifying that such Lender is exempt from U.S. federal backup withholding tax;

(B) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), whichever of the following is applicable:

i. in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest under any Loan Document, executed originals of IRS Form W-8BEN or IRS Form W-8BEN-E establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "interest" article of such tax treaty and (y) with respect to any other applicable payments under any Loan Document, IRS Form W-8BEN or IRS Form W-8BEN-E establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "business profits" or "other income" article of such tax treaty;

ii. executed originals of IRS Form W-8ECI;

iii. in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (x) a certificate substantially in the form of Exhibit 2.20A to the effect that such Foreign Lender is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code, a "10 percent shareholder" of the Borrower within the meaning of Section 881(c)(3)(B) of the Code, or a "controlled foreign corporation" described in Section 881(c)(3)(C) of the Code (a "U.S. Tax Compliance Certificate") and (y) executed originals of IRS Form W-8BEN or IRS Form W-8BEN-E; or

iv. to the extent a Foreign Lender is not the beneficial owner, executed originals of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN, IRS Form W-8BEN-E, a U.S. Tax Compliance Certificate substantially in the form of Exhibit 2.20B or Exhibit 2.20C, IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable; provided that if the Foreign Lender is a partnership and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate substantially in the form of Exhibit 2.20D on behalf of each such direct and indirect partner;

(C) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed originals of any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by applicable law to permit the Borrower or the Administrative Agent to determine the withholding or deduction required to be made; and

(D) if a payment made to a Lender under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Administrative Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower or the Administrative Agent as may be necessary for the Borrower and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (D), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

Each Lender agrees that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Borrower and the Administrative Agent in writing of its legal inability to do so.

(h) Treatment of Certain Refunds(i). If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section 2.20 (including by the payment of additional amounts pursuant to this Section 2.20), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this paragraph (h) (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that such indemnified party is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this paragraph (h), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this paragraph (h) the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This paragraph shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to the indemnifying party or any other Person.

(i) Survival. Each party's obligations under this Section 2.20 shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender, the termination of the Commitments and the repayment, satisfaction or discharge of all obligations under any Loan Document.

Section 2.21. Payments Generally; Pro Rata Treatment; Sharing of Set-offs.

(a) The Borrower shall make each payment required to be made by it hereunder (whether of principal, interest, fees or reimbursement of LC Disbursements, or of amounts payable under Section 2.18, 2.19 or 2.20, or otherwise) prior to 12:00 noon on the date when due, in immediately available funds, free and clear of any defenses, rights of set-off, counterclaim, or withholding or deduction of taxes. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at the Payment Office, except payments to be made directly to the Issuing Bank or the Swingline Lender as expressly provided herein and except that payments pursuant to Sections 2.18, 2.19, 2.20 and 10.3 shall be made directly to the Persons entitled thereto. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be made payable for the period of such extension. All payments hereunder shall be made in Dollars.

(b) If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, unreimbursed LC Disbursements, interest and fees then due hereunder, such funds shall be applied as follows: first, to all fees and reimbursable expenses of the Administrative Agent then due and payable pursuant to any of the Loan Documents; second, to all reimbursable expenses of the Lenders and all fees and reimbursable expenses of the Issuing Bank then due and payable pursuant to any of the Loan Documents, *pro rata* to the Lenders and the Issuing Bank based on their respective *pro rata* shares of such fees and expenses; third, to all interest and fees then due and payable hereunder, *pro rata* to the Lenders based on their respective *pro rata* shares of such interest and fees; and fourth, to all principal of the Loans and unreimbursed LC Disbursements then due and payable hereunder, *pro rata* to the parties entitled thereto based on their respective *pro rata* shares of such principal and unreimbursed LC Disbursements.

(c) If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Loans or participations in LC Disbursements or Swingline Loans that would result in such Lender receiving payment of a greater proportion of the aggregate amount of its Revolving Credit Exposure, Term Loans and accrued interest and fees thereon than the proportion received by any other Lender with respect to its Revolving Credit Exposure or Term Loans, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Revolving Credit Exposure and Term Loans of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Revolving Credit Exposure and Term Loans; provided that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this subsection shall not be construed to apply to any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement (including the application of funds arising from the existence of a Defaulting Lender) or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Revolving Credit Exposure or Term Loans to any assignee or participant, other than to the Borrower or any Subsidiary or Affiliate thereof (as to which the provisions of this subsection shall apply). The Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.

(d) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders or the Issuing Bank hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders or the Issuing Bank, as the case may be, the amount or amounts due. In such event, if the Borrower has not in fact made such payment, then each of the Lenders or the Issuing Bank, as the case may be, severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender or Issuing Bank with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

Section 2.22. Letters of Credit.

(a) During the Availability Period, the Issuing Bank, in reliance upon the agreements of the other Lenders pursuant to subsections (d) and (e) of this Section, may, in its sole discretion, issue, at the request of the Borrower, Letters of Credit for the account of the Borrower on the terms and conditions hereinafter set forth; provided that (i) each Letter of Credit shall expire on the earlier of (A) the date one year after the date of issuance of such Letter of Credit (or, in the case of any renewal or extension thereof, one year after such renewal or extension) and (B) the date that is five (5) Business Days prior to the Revolving Commitment Termination Date; (ii) each Letter of Credit shall be in a stated amount of an amount to be mutually agreed between the Borrower and the Issuing Bank; and (iii) the Borrower may not request any Letter of Credit if, after giving effect to such issuance, (A) the aggregate LC Exposure would exceed the LC Commitment or (B) the aggregate Revolving Credit Exposure of all Lenders would exceed the Aggregate Revolving Commitment Amount and (iv) the Borrower shall not request, and the Issuing Bank shall have no obligation to issue, any Letter of Credit the proceeds of which would be made available to any Person (I) to fund any activity or business of or with any Sanctioned Person or in any Sanctioned Countries, that, at the time of such funding, is the subject of any Sanctions or (II) in any manner that would result in a violation of any Sanctions by any party to this Agreement.. Each Lender shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from the Issuing Bank without recourse a participation in each Letter of Credit equal to such Lender's Pro Rata Share of the aggregate amount available to be drawn under such Letter of Credit on the date of issuance. Each issuance of a Letter of Credit shall be deemed to utilize the Revolving Commitment of each Lender by an amount equal to the amount of such participation.

(b) To request the issuance of a Letter of Credit (or any amendment, renewal or extension of an outstanding Letter of Credit), the Borrower shall give the Issuing Bank and the Administrative Agent irrevocable written notice at least three (3) Business Days prior to the requested date of such issuance specifying the date (which shall be a Business Day) such Letter of Credit is to be issued (or amended, renewed or extended, as the case may be), the expiration date of such Letter of Credit, the amount of such Letter of Credit, the name and address of the beneficiary thereof and such other information as shall be necessary to prepare, amend, renew or extend such Letter of Credit; provided that, so long as no Default or Event of Default has occurred and is continuing and subject to the other terms and conditions to the issuance of Letters of Credit hereunder, the expiry dates of Letters of Credit may be extended automatically, without advance written notice, by operation of the terms of the applicable Letter of Credit to a date not more than twelve (12) months from the date of extension; provided, further, that in no event shall any Letter of Credit, as originally issued or as extended, have an expiry date extending beyond the date that is five (5) Business Days prior to the Revolving Commitment Termination Date. In addition to the satisfaction of the conditions in Article III, the issuance of such Letter of Credit (or any amendment which increases the amount of such Letter of Credit) will be subject to the further conditions that such Letter of Credit shall be in such form and contain such terms as the Issuing Bank shall approve and that the Borrower shall have executed and delivered any additional applications, agreements and instruments relating to such Letter of Credit as the Issuing Bank shall reasonably require; provided that in the event of any conflict between such applications, agreements or instruments and this Agreement, the terms of this Agreement shall control.

(c) At least two (2) Business Days prior to the issuance of any Letter of Credit, the Issuing Bank will confirm with the Administrative Agent (by telephone or in writing) that the Administrative Agent has received such notice, and, if not, the Issuing Bank will provide the Administrative Agent with a copy thereof. Unless the Issuing Bank has received notice from the Administrative Agent, on or before the Business Day immediately preceding the date the Issuing Bank is to issue the requested Letter of Credit, directing the Issuing Bank not to issue the Letter of Credit because such issuance is not then permitted hereunder because of the limitations set forth in subsection (a) of this Section or that one or more conditions specified in Article III are not then satisfied, then, subject to the terms and conditions hereof, the Issuing Bank shall, on the requested date, issue such Letter of Credit in accordance with the Issuing Bank's usual and customary business practices.

(d) The Issuing Bank shall examine all documents purporting to represent a demand for payment under a Letter of Credit promptly following its receipt thereof. The Issuing Bank shall notify the Borrower and the Administrative Agent of such demand for payment and whether the Issuing Bank has made or will make a LC Disbursement thereunder; provided that any failure to give or delay in giving such notice shall not relieve the Borrower of its obligation to reimburse the Issuing Bank and the Lenders with respect to such LC Disbursement. The Borrower shall be irrevocably and unconditionally obligated to reimburse the Issuing Bank for any LC Disbursements paid by the Issuing Bank in respect of such drawing, without presentment, demand or other formalities of any kind. Unless the Borrower shall have notified the Issuing Bank and the Administrative Agent prior to 11:00 a.m. on the Business Day immediately prior to the date on which such drawing is honored that the Borrower intends to reimburse the Issuing Bank for the amount of such drawing in funds other than from the proceeds of Revolving Loans, the Borrower shall be deemed to have timely given a Notice of Revolving Borrowing to the Administrative Agent requesting the Lenders to make a Base Rate Borrowing on the date on which such drawing is honored in an exact amount due to the Issuing Bank; provided that for purposes solely of such Borrowing, the conditions precedent set forth in Section 3.2 hereof shall not be applicable. The Administrative Agent shall notify the Lenders of such Borrowing in accordance with Section 2.3, and each Lender shall make the proceeds of its Base Rate Loan included in such Borrowing available to the Administrative Agent for the account of the Issuing Bank in accordance with Section 2.6. The proceeds of such Borrowing shall be applied directly by the Administrative Agent to reimburse the Issuing Bank for such LC Disbursement.

(e) If for any reason a Base Rate Borrowing may not be (as determined in the sole discretion of the Administrative Agent), or is not, made in accordance with the foregoing provisions, then each Lender (other than the Issuing Bank) shall be obligated to fund the participation that such Lender purchased pursuant to subsection (a) of this Section in an amount equal to its Pro Rata Share of such LC Disbursement on and as of the date which such Base Rate Borrowing should have occurred. Each Lender's obligation to fund its participation shall be absolute and unconditional and shall not be affected by any circumstance, including, without limitation, (i) any set-off, counterclaim, recoupment, defense or other right that such Lender or any other Person may have against the Issuing Bank or any other Person for any reason whatsoever, (ii) the existence of a Default or an Event of Default or the termination of the Aggregate Revolving Commitments, (iii) any adverse change in the condition (financial or otherwise) of the Borrower or any of its Subsidiaries, (iv) any breach of this Agreement by the Borrower or any other Lender, (v) any amendment, renewal or extension of any Letter of Credit or (vi) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing. On the date that such participation is required to be funded, each Lender shall promptly transfer, in immediately available funds, the amount of its participation to the Administrative Agent for the account of the Issuing Bank. Whenever, at any time after the Issuing Bank has received from any such Lender the funds for its participation in a LC Disbursement, the Issuing Bank (or the Administrative Agent on its behalf) receives any payment on account thereof, the Administrative Agent or the Issuing Bank, as the case may be, will distribute to such Lender its Pro Rata Share of such payment; provided that if such payment is required to be returned for any reason to the Borrower or to a trustee, receiver, liquidator, custodian or similar official in any bankruptcy proceeding, such Lender will return to the Administrative Agent or the Issuing Bank any portion thereof previously distributed by the Administrative Agent or the Issuing Bank to it.

(f) To the extent that any Lender shall fail to pay any amount required to be paid pursuant to subsection (d) or (e) of this Section on the due date therefor, such Lender shall pay interest to the Issuing Bank (through the Administrative Agent) on such amount from such due date to the date such payment is made at a rate *per annum* equal to the Federal Funds Rate; provided that if such Lender shall fail to make such payment to the Issuing Bank within three (3) Business Days of such due date, then, retroactively to the due date, such Lender shall be obligated to pay interest on such amount at the rate set forth in Section 2.13(c).

(g) If any Event of Default shall occur and be continuing, on the Business Day that the Borrower receives notice from the Administrative Agent or the Required Lenders demanding that its reimbursement obligations with respect to the Letters of Credit be Cash Collateralized pursuant to this subsection, the Borrower shall deposit in an account with the Administrative Agent, in the name of the Administrative Agent and for the benefit of the Issuing Bank and the Lenders, an amount in cash equal to 103% of the aggregate LC Exposure of all Lenders as of such date plus any accrued and unpaid fees thereon; provided that such obligation to Cash Collateralize the reimbursement obligations of the Borrower with respect to the Letters of Credit shall become effective immediately, and such deposit shall become immediately due and payable, without demand or notice of any kind, upon the occurrence of any Event of Default with respect to the Borrower described in Section 8.1(h) or (i). Such deposit shall be held by the Administrative Agent as collateral for the payment and performance of the obligations of the Borrower under this Agreement. The Administrative Agent shall have exclusive dominion and control, including the exclusive right of withdrawal, over such account. The Borrower agrees to execute any documents and/or certificates to effectuate the intent of this subsection. Other than any interest earned on the investment of such deposits, which investments shall be made at the option and sole discretion of the Administrative Agent and at the Borrower's risk and expense, such deposits shall not bear interest. Interest and profits, if any, on such investments shall accumulate in such account. Moneys in such account shall be applied by the Administrative Agent to reimburse the Issuing Bank for LC Disbursements for which it had not been reimbursed and, to the extent not so applied, shall be held for the satisfaction of the reimbursement obligations of the Borrower for the LC Exposure at such time or, if the maturity of the Loans has been accelerated, with the consent of the Required Lenders, be applied to satisfy other obligations of the Borrower under this Agreement and the other Loan Documents. If the Borrower is required to Cash Collateralize its reimbursement obligations with respect to the Letters of Credit as a result of the occurrence of an Event of Default, such cash collateral so posted (to the extent not so applied as aforesaid) shall be returned to the Borrower within three (3) Business Days after all Events of Default have been cured or waived.

(h) Upon the request of any Lender, but no more frequently than quarterly, the Issuing Bank shall deliver (through the Administrative Agent) to each Lender and the Borrower a report describing the aggregate Letters of Credit then outstanding. Upon the request of any Lender from time to time, the Issuing Bank shall deliver to such Lender any other information reasonably requested by such Lender with respect to each Letter of Credit then outstanding.

(i) The Borrower's obligation to reimburse LC Disbursements hereunder shall be absolute, unconditional and irrevocable and shall be performed strictly in accordance with the terms of this Agreement under all circumstances whatsoever and irrespective of any of the following circumstances:

(i) any lack of validity or enforceability of any Letter of Credit or this Agreement;

(ii) the existence of any claim, set-off, defense or other right which the Borrower or any Subsidiary or Affiliate of the Borrower may have at any time against a beneficiary or any transferee of any Letter of Credit (or any Persons or entities for whom any such beneficiary or transferee may be acting), any Lender (including the Issuing Bank) or any other Person, whether in connection with this Agreement or the Letter of Credit or any document related hereto or thereto or any unrelated transaction;

(iii) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect;

(iv) payment by the Issuing Bank under a Letter of Credit against presentation of a draft or other document to the Issuing Bank that does not comply with the terms of such Letter of Credit;

(v) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of, or provide a right of set-off against, the Borrower's obligations hereunder; or

(vi) the existence of a Default or an Event of Default.

Neither the Administrative Agent, the Issuing Bank, any Lender nor any Related Party of any of the foregoing shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to above), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of the Issuing Bank; provided that the foregoing shall not be construed to excuse the Issuing Bank from liability to the Borrower to the extent of any actual direct damages (as opposed to special, indirect (including claims for lost profits or other consequential damages), or punitive damages, claims in respect of which are hereby waived by the Borrower to the extent permitted by applicable law) suffered by the Borrower that are caused by the Issuing Bank's failure to exercise due care when determining whether drafts or other documents presented under a Letter of Credit comply with the terms thereof. The parties hereto expressly agree that, in the absence of gross negligence or willful misconduct on the part of the Issuing Bank (as finally determined by a court of competent jurisdiction), the Issuing Bank shall be deemed to have exercised due care in each such determination. In furtherance of the foregoing and without limiting the generality thereof, the parties agree that, with respect to documents presented that appear on their face to be in substantial compliance with the terms of a Letter of Credit, the Issuing Bank may, in its sole discretion, either accept and make payment upon such documents without responsibility for further investigation, regardless of any notice or information to the contrary, or refuse to accept and make payment upon such documents if such documents are not in strict compliance with the terms of such Letter of Credit.

(j) Unless otherwise expressly agreed by the Issuing Bank and the Borrower when a Letter of Credit is issued and subject to applicable laws, (i) each standby Letter of Credit shall be governed by the "International Standby Practices 1998" (ISP98) (or such later revision as may be published by the Institute of International Banking Law & Practice on any date any Letter of Credit may be issued), (ii) each documentary Letter of Credit shall be governed by the Uniform Customs and Practices for Documentary Credits (2007 Revision), International Chamber of Commerce Publication No. 600 (or such later revision as may be published by the International Chamber of Commerce on any date any Letter of Credit may be issued) and (iii) the Borrower shall specify the foregoing in each letter of credit application submitted for the issuance of a Letter of Credit.

Section 2.23. Increase of Commitments; Additional Lenders.

(a) From time to time after the Closing Date and in accordance with this Section, but only with the prior written consent of the Administrative Agent, the Borrower and one or more Increasing Lenders or Additional Lenders (each as defined below) may enter into an agreement to increase the aggregate Revolving Commitments and/or the aggregate Term Loan Commitments hereunder (each such increase, an "Incremental Commitment") so long as the following conditions are satisfied:

(i) the aggregate principal amount of all such Incremental Commitments made pursuant to this Section shall not exceed $20,000,000 (the principal amount of each such Incremental Commitment, the "Incremental Commitment Amount");

(ii) the Borrower shall execute and deliver such documents and instruments and take such other actions as may be reasonably required by the Administrative Agent in connection with and at the time of any such proposed increase;

(iii) at the time of and immediately after giving effect to any such proposed increase, no Default or Event of Default shall exist, all representations and warranties of each Loan Party set forth in the Loan Documents shall be true and correct in all material respects (other than those representations and warranties that are expressly qualified by a Material Adverse Effect or other materiality, in which case such representations and warranties shall be true and correct in all respects);

(iv) (x) any incremental Term Loans made pursuant to this Section (the "Incremental Term Loans") shall have a maturity date no earlier than the Maturity Date and shall have a Weighted Average Life to Maturity no shorter than that of the Term Loans made pursuant to Section 2.5, and (y) any incremental Revolving Commitments provided pursuant to this Section (the "Incremental Revolving Commitments") shall have the same termination date as the Revolving Commitment Termination Date;

(v) the pro forma Total Leverage Ratio of Borrower and its Subsidiaries shall not exceed the lesser of (x) the Total Leverage Ratio required under Section 6.1 as of the most recently ended Fiscal Quarter for which financial statements are required to have been delivered minus 0.25 to 1.00 and (y) the Total Leverage Ratio of the Borrower and the Subsidiaries on the Closing Date, calculated as if all such Incremental Term Loans had been made and all such Incremental Revolving Commitments had been established (and fully funded) as of the first day of the relevant period for testing compliance;

(vi) if the Initial Yield applicable to any such Incremental Term Loans exceeds by more than 0.50% *per annum* the sum of the Applicable Margin then in effect for Eurodollar Term Loans, plus one fourth of the Up-Front Fees paid in respect of the existing Term Loans (the "Existing Yield"), then the Applicable Margin of the existing Term Loans shall increase by an amount equal to the difference between the Initial Yield and the Existing Yield minus 0.50% *per annum*;

(vii) the Applicable Margin for any such Incremental Revolving Commitments shall be the same as the Applicable Margin for the existing Revolving Loans; provided, that any up-front fees payable on such Incremental Revolving Commitments may be higher than the up-front fees paid in connection with the existing Revolving Loans;

(viii) any collateral securing any such Incremental Commitments shall also secure all other Obligations on a *pari passu* basis; and

(ix) except as specifically set forth herein, all terms of any Incremental Revolving Commitments and Incremental Term Loans shall be identical to the Revolving Commitments and the Term Loans, respectively, except as otherwise agreed by the Required Lenders.

(b) The Borrower shall provide at least 15 days' written notice to the Administrative Agent (who shall promptly provide a copy of such notice to each Lender) of any proposal to establish an Incremental Commitment. In any such notice, the Borrower shall specify any fees offered to any Lenders who are approached to provide an Incremental Commitment (the "Increasing Lenders"), which fees may be variable based upon the amount by which any such Lender is willing to increase the principal amount of its Revolving Commitment and/or its Term Loan Commitment, as applicable. Each Increasing Lender shall as soon as practicable, and in any case within 15 days following receipt of such notice, specify in a written notice to the Borrower and the Administrative Agent the amount of such proposed Incremental Commitment that it is willing to provide. No Lender (or any successor thereto) shall have any obligation, express or implied, to offer to increase the aggregate principal amount of its Revolving Commitment and/or its Term Loan Commitment, and any decision by a Lender to increase its Revolving Commitment and/or its Term Loan Commitment shall be made in its sole discretion independently from any other Lender. Only the consent of each Increasing Lender shall be required for an increase in the aggregate principal amount of the Revolving Commitments and/or the Term Loan Commitments, as applicable, pursuant to this Section. No Lender which declines to increase the principal amount of its Revolving Commitment and/or its Term Loan Commitment may be replaced with respect to its existing Revolving Commitment and/or its Term Loans, as applicable, as a result thereof without such Lender's consent. If any Lender shall fail to notify the Borrower and the Administrative Agent in writing about whether it will increase its Revolving Commitment and/or its Term Loan Commitment within 15 days after receipt of such notice, such Lender shall be deemed to have declined to increase its Revolving Commitment and/or its Term Loan Commitment, as applicable. The Borrower may accept some or all of the offered amounts or designate new lenders, which, solely with respect to any Incremental Revolving Commitments, shall be approved by the Administrative Agent (such approval not to be unreasonably withheld), as additional Lenders hereunder in accordance with this Section 2.23 (the "Additional Lenders"), which Additional Lenders may assume all or a portion of such Incremental Commitment. The Borrower and the Administrative Agent shall have discretion jointly to adjust the allocation of such Incremental Revolving Commitments and/or such Incremental Term Loans among the Increasing Lenders and the Additional Lenders. The sum of the increase in the Revolving Commitments and the Term Loan Commitments of the Increasing Lenders plus the Revolving Commitments and the Term Loan Commitments of the Additional Lenders shall not in the aggregate exceed the unsubscribed amount of the Incremental Commitment Amount.

(c) Subject to subsections (a) and (b) of this Section, any increase requested by the Borrower shall be effective upon delivery to the Administrative Agent of each of the following documents:

(i) an originally executed copy of an instrument of joinder, in form and substance reasonably acceptable to the Administrative Agent, executed by the Borrower, by each Additional Lender and by each Increasing Lender, setting forth the new Revolving Commitments and/or new Term Loan Commitments, as applicable, of such Lenders and setting forth the agreement of each Additional Lender to become a party to this Agreement and to be bound by all of the terms and provisions hereof;

(ii) such evidence of appropriate corporate authorization on the part of the Borrower with respect to such Incremental Commitment and such opinions of counsel for the Borrower with respect to such Incremental Commitment as the Administrative Agent may reasonably request;

(iii) a certificate of the Borrower signed by a Responsible Officer of the Borrower, in form and substance reasonably acceptable to the Administrative Agent, certifying that each of the conditions in subsection (a) of this Section has been satisfied;

(iv) to the extent requested by any Additional Lender or any Increasing Lender, executed promissory notes evidencing such Incremental Revolving Commitments and/or such Incremental Term Loans, issued by the Borrower in accordance with Section 2.10; and

(v) any other certificates or documents that the Administrative Agent shall reasonably request, in form and substance reasonably satisfactory to the Administrative Agent.

(d) Upon the effectiveness of any such Incremental Commitment, the Commitments and Pro Rata Share of each Lender will be adjusted to give effect to the Incremental Revolving Commitments and/or the Incremental Term Loans, as applicable, and Schedule II shall automatically be deemed amended accordingly.

(e) Any Incremental Revolving Commitments shall (except for the amounts thereof) have terms that are identical to the Revolving Commitments. Without limiting the other terms herein, if any Incremental Term Loans are to have terms that are different from the Term Loans outstanding immediately prior to such incurrence (any such Incremental Term Loans, the "Non-Conforming Credit Extensions"), all such terms shall be as set forth in a separate assumption agreement among the Borrower, the Lenders providing such Incremental Term Loans and the Administrative Agent, the execution and delivery of which agreement shall be a condition to the effectiveness of the Non-Conforming Credit Extensions. The scheduled principal payments on the Term Loans to be made pursuant to Section 2.9 shall be ratably increased after the making of any Incremental Term Loans (other than Term Loans that are Non-Conforming Credit Extensions) under this Section by the aggregate principal amount of such Incremental Term Loans. After the incurrence of any Non-Conforming Credit Extensions, all optional prepayments of Term Loans shall be allocated ratably between the then-outstanding Term Loans and such Non-Conforming Credit Extensions that are Term Loans. If the Borrower incurs Incremental Revolving Commitments under this Section, the Borrower shall, after such time, repay and incur Revolving Loans ratably as between the Incremental Revolving Commitments and the Revolving Commitments outstanding immediately prior to such incurrence. Notwithstanding anything to the contrary in Section 10.2, the Administrative Agent is expressly permitted to amend the Loan Documents to the extent necessary to give effect to any increase pursuant to this Section and mechanical changes necessary or advisable in connection therewith (including amendments to implement the requirements in the preceding two sentences, amendments to ensure *pro rata* allocations of Eurodollar Loans and Base Rate Loans between Loans incurred pursuant to this Section and Loans outstanding immediately prior to any such incurrence and amendments to implement ratable participation in Letters of Credit between the Non-Conforming Credit Extensions consisting of Incremental Revolving Commitments and the Revolving Commitments outstanding immediately prior to any such incurrence).

(f) For purposes of this Section, the following terms shall have the meanings specified below:

(i) "Initial Yield" shall mean, with respect to Incremental Term Loans or Incremental Revolving Commitments, the amount (as determined by the Administrative Agent) equal to the sum of (A) the margin above the Adjusted LIBO Rate on such Incremental Term Loans or such Incremental Revolving Commitments, as applicable (including as margin the effect of any "LIBO rate floor" applicable on the date of the calculation), plus (B) (x) the amount of any Up-Front Fees on such Incremental Term Loans or such Incremental Revolving Commitments, as applicable (including any fee or discount received by the Lenders in connection with the initial extension thereof), divided by (y) the lesser of (1) the Weighted Average Life to Maturity of such Incremental Term Loans or such Incremental Revolving Commitments, as applicable, and (2) four.

(ii) "Up-Front Fees" shall mean the amount of any fees or discounts received by the Lenders in connection with the making of Loans or extensions of credit, expressed as a percentage of such Loan or extension of credit. For the avoidance of doubt, "Up-Front Fees" shall not include any arrangement fee paid to the Joint Lead Arrangers.

(iii) "Weighted Average Life to Maturity" shall mean, when applied to any Indebtedness at any date, the number of years obtained by dividing (i) the sum of the products obtained by multiplying (x) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect thereof, by (y) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment by (ii) the then outstanding principal amount of such Indebtedness.

Section 2.24. Mitigation of Obligations**.** If any Lender requests compensation under Section 2.18, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.20, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the sole judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable under Section 2.18 or 2.20, as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all costs and expenses incurred by any Lender in connection with such designation or assignment.

Section 2.25. Replacement of Lenders**.** If (a) any Lender requests compensation under Section 2.18, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.20, (b) any Lender is a Defaulting Lender, or (c) in connection with any proposed amendment, modification, termination, waiver or consent with respect to any of the provisions hereof as contemplated by Section 10.2(b), the consent of Required Lenders shall have been obtained but the consent of one or more of such other Lenders (each a "Non Consenting Lender") whose consent is required shall not have been obtained, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions set forth in Section 10.4(b)), all of its interests, rights (other than its existing rights to payments pursuant to Section 2.18 or 2.20, as applicable) and obligations under this Agreement to an assignee that shall assume such obligations (which assignee may be another Lender) (a "Replacement Lender"); provided that (i) the Borrower shall have received the prior written consent of the Administrative Agent, which consent shall not be unreasonably withheld, (ii) such Lender shall have received payment of an amount equal to the outstanding principal amount of all Loans owed to it, accrued interest thereon, accrued fees and all other amounts payable to it hereunder from the assignee (in the case of such outstanding principal and accrued interest) and from the Borrower (in the case of all other amounts), and (iii) in the case of a claim for compensation under Section 2.18 or payments required to be made pursuant to Section 2.20, such assignment will result in a reduction in such compensation or payments, and (iv) in the case of a Non Consenting Lender, each Replacement Lender shall consent, at the time of such assignment, to each matter in respect of which such terminated Lender was a Non Consenting Lender. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

Section 2.26. Defaulting Lenders.

(a) Cash Collateral.

(i) At any time that there shall exist a Defaulting Lender, within one Business Day following the written request of the Administrative Agent or the Issuing Bank (with a copy to the Administrative Agent) the Borrower shall Cash Collateralize the Issuing Bank's LC Exposure with respect to such Defaulting Lender (determined after giving effect to Section 2.26(b)(iv) and any Cash Collateral provided by such Defaulting Lender) in an amount not less than 103% of the Issuing Bank's LC Exposure with respect to such Defaulting Lender.

(ii) The Borrower, and to the extent provided by any Defaulting Lender, such Defaulting Lender, hereby grants to the Administrative Agent, for the benefit of the Issuing Bank, and agrees to maintain, a first priority security interest in all such Cash Collateral as security for the Defaulting Lenders' obligation to fund participations in respect of Letters of Credit, to be applied pursuant to clause (iii) below. If at any time the Administrative Agent determines that Cash Collateral is subject to any right or claim of any Person other than the Administrative Agent and the Issuing Bank as herein provided, or that the total amount of such Cash Collateral is less than the minimum amount required pursuant to clause (i) above, the Borrower will, promptly upon demand by the Administrative Agent, pay or provide to the Administrative Agent additional Cash Collateral in an amount sufficient to eliminate such deficiency (after giving effect to any Cash Collateral provided by the Defaulting Lender).

(iii) Notwithstanding anything to the contrary contained in this Agreement, Cash Collateral provided under this Section 2.26(a) or 2.26(b) in respect of Letters of Credit shall be applied to the satisfaction of the Defaulting Lender's obligation to fund participations in respect of Letters of Credit or LC Disbursements (including, as to Cash Collateral provided by a Defaulting Lender, any interest accrued on such obligation) for which the Cash Collateral was so provided, prior to any other application of such property as may otherwise be provided for herein.

(iv) Cash Collateral (or the appropriate portion thereof) provided to reduce any Issuing Bank's LC Exposure shall no longer be required to be held as Cash Collateral pursuant to this Section 2.26(a) following (A) the elimination of the applicable LC Exposure (including by the termination of Defaulting Lender status of the applicable Lender), or (B) the determination by the Administrative Agent and the Issuing Bank that there exists excess Cash Collateral; provided that, subject to Sections 2.26(b) through 2.26(d) the Person providing Cash Collateral and each Issuing Bank may agree that Cash Collateral shall be held to support future anticipated LC Exposure or other obligations and provided further that to the extent that such Cash Collateral was provided by the Borrower, such Cash Collateral shall remain subject to the security interest granted pursuant to the Loan Documents.

(b) Defaulting Lender Adjustments. Notwithstanding anything to the contrary contained in this Agreement, if any Lender becomes a Defaulting Lender, then, until such time as such Lender is no longer a Defaulting Lender, to the extent permitted by applicable law:

(i) Such Defaulting Lender's right to approve or disapprove any amendment, waiver or consent with respect to this Agreement shall be restricted as set forth in the definition of Required Lenders and in Section 10.2.

(ii) Any payment of principal, interest, fees or other amounts received by the Administrative Agent for the account of such Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Article VIII or otherwise) or received by the Administrative Agent from a Defaulting Lender pursuant to Section 10.7 shall be applied at such time or times as may be determined by the Administrative Agent as follows: first, to the payment of any amounts owing by such Defaulting Lender to the Administrative Agent hereunder; second, to the payment on a *pro rata* basis of any amounts owing by such Defaulting Lender to the Issuing Bank or Swingline Lender hereunder; third, to Cash Collateralize the Issuing Bank's LC Exposure with respect to such Defaulting Lender in accordance with Section 2.26(a); fourth, as the Borrower may request (so long as no Default or Event of Default exists), to the funding of any Loan in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by the Administrative Agent; fifth, if so determined by the Administrative Agent and the Borrower, to be held in a deposit account and released *pro rata* in order to (x) satisfy such Defaulting Lender's potential future funding obligations with respect to Loans under this Agreement and (y) Cash Collateralize the Issuing Banks' future LC Exposure with respect to such Defaulting Lender with respect to future Letters of Credit issued under this Agreement, in accordance with Section 2.26(a); sixth, to the payment of any amounts owing to the Lenders, the Issuing Bank or Swingline Lender as a result of any judgment of a court of competent jurisdiction obtained by any Lender, the Issuing Bank or Swingline Lender against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; seventh, so long as no Default or Event of Default exists, to the payment of any amounts owing to the Borrower as a result of any judgment of a court of competent jurisdiction obtained by the Borrower against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; and eighth, to such Defaulting Lender or as otherwise directed by a court of competent jurisdiction; provided that if (x) such payment is a payment of the principal amount of any Loans or LC Disbursements in respect of which such Defaulting Lender has not fully funded its appropriate share, and (y) such Loans were made or the related Letters of Credit were issued at a time when the conditions set forth in Section 3.2 were satisfied or waived, such payment shall be applied solely to pay the Loans of, and LC Disbursements owed to, all Non-Defaulting Lenders on a *pro rata* basis prior to being applied to the payment of any Loans of, or LC Disbursements owed to, such Defaulting Lender until such time as all Loans and funded and unfunded participations in LC Disbursements and Swingline Loans are held by the Lenders *pro rata* in accordance with the Revolving Commitments and outstanding Term Loans without giving effect to clause (iv) below. Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender or to post Cash Collateral pursuant to this Section 2.26(b)(ii) shall be deemed paid to and redirected by such Defaulting Lender, and each Lender irrevocably consents hereto.

(iii) (A) No Defaulting Lender shall be entitled to receive any Commitment Fee pursuant to Section 2.14(b) for any period during which that Lender is a Defaulting Lender (and the Borrower shall not be required to pay any such fee that otherwise would have been required to have been paid to that Defaulting Lender).

(B) Each Defaulting Lender shall be entitled to receive letter of credit fees pursuant to Section 2.14(c) for any period during which that Lender is a Defaulting Lender only to the extent allocable to that portion of its LC Exposure for which it has provided Cash Collateral pursuant to Section 2.26(a).

(C) With respect to any letter of credit fee not required to be paid to any Defaulting Lender pursuant to clause (B) above, the Borrower shall (x) pay to each Non-Defaulting Lender that portion of any such fee otherwise payable to such Defaulting Lender with respect to such Defaulting Lender's participation in Letters of Credit or Swingline Loans that has been reallocated to such Non-Defaulting Lender pursuant to clause (iv) below, (y) pay to each Issuing Bank and Swingline Lender, as applicable, the amount of any such fee otherwise payable to such Defaulting Lender to the extent allocable to the Issuing Bank's LC Exposure or Swingline Lender's Swingline Exposure with respect to such Defaulting Lender, and (z) not be required to pay the remaining amount of any such fee.

(iv) All or any part of such Defaulting Lender's participation in Letters of Credit and Swingline Loans shall be reallocated among the Non-Defaulting Lenders in accordance with their respective Pro Rata Shares of the Revolving Commitments (calculated without regard to such Defaulting Lender's Revolving Commitment) but only to the extent that (x) the conditions set forth in Section 3.2 are satisfied at the time of such reallocation (and, unless the Borrower shall have otherwise notified the Administrative Agent at such time, the Borrower shall be deemed to have represented and warranted that such conditions are satisfied at such time), and (y) such reallocation does not cause the aggregate Revolving Credit Exposure of any Non-Defaulting Lender to exceed such Non-Defaulting Lender's Revolving Commitment. No reallocation hereunder shall constitute a waiver or release of any claim of any party hereunder against a Defaulting Lender arising from that Lender having become a Defaulting Lender, including any claim of a Non-Defaulting Lender as a result of such Non-Defaulting Lender's increased exposure following such reallocation.

(v) If the reallocation described in clause (iv) above cannot, or can only partially, be effected, the Borrower shall, without prejudice to any right or remedy available to it hereunder or under law, (x) first, prepay Swingline Loans in an amount equal to the Swingline Lender's Swingline Exposure with respect to such Defaulting Lender and (y) second, Cash Collateralize the Issuing Banks' LC Exposure with respect to such Defaulting Lender in accordance with the procedures set forth in Section 2.26(a).

(c) Defaulting Lender Cure. If the Borrower, the Administrative Agent, Swingline Lender and Issuing Bank agree in writing that a Lender is no longer a Defaulting Lender, the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein (which may include arrangements with respect to any Cash Collateral), that Lender will, to the extent applicable, purchase at par that portion of outstanding Loans of the other Lenders or take such other actions as the Administrative Agent may determine to be necessary to cause the Loans and funded and unfunded participations in Letters of Credit and Swingline Loans to be held *pro rata* by the Lenders in accordance with the applicable Commitments (without giving effect to Section 2.26(b)(iv)), whereupon such Lender will cease to be a Defaulting Lender; provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrower while that Lender was a Defaulting Lender; and provided, further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender.

(d) New Swingline Loans/Letters of Credit. So long as any Lender is a Defaulting Lender, (i) the Swingline Lender shall not be required to fund any Swingline Loans unless it is satisfied that it will have no Swingline Exposure after giving effect to such Swingline Loan and (ii) no Issuing Bank shall be required to issue, extend, renew or increase any Letter of Credit unless it is satisfied that it will have no LC Exposure after giving effect thereto.

ARTICLE III

CONDITIONS PRECEDENT TO LOANS AND LETTERS OF CREDIT

Section 3.1. Conditions to Effectiveness. The obligations of the Lenders (including the Swingline Lender) to make Loans and the obligation of the Issuing Bank to issue any Letters of Credit hereunder shall not become effective until the date on which each of the following conditions is satisfied (or waived in accordance with Section 10.2):

(a) The Administrative Agent shall have received payment of all fees, expenses and other amounts due and payable on or prior to the Closing Date, including, without limitation, reimbursement or payment of all out-of-pocket expenses of the Administrative Agent, the Joint Lead Arrangers and their Affiliates (including reasonable fees, charges and disbursements of counsel to the Administrative Agent) required to be reimbursed or paid by the Borrower hereunder, under any other Loan Document and under any agreement with the Administrative Agent or the Joint Lead Arrangers.

(b) The Administrative Agent (or its counsel) shall have received the following, each to be in form and substance satisfactory to the Administrative Agent:

(i) a counterpart of this Agreement signed by or on behalf of each party hereto or written evidence satisfactory to the Administrative Agent (which may include facsimile transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Agreement;

(ii) a certificate of the Secretary or Assistant Secretary of each Loan Party in the form of Exhibit 3.1(b)(ii), (A) attaching and certifying copies of (1) its bylaws, partnership agreement, limited liability company agreement or comparable organizational document, and of the resolutions of its board of directors or other equivalent governing body, or comparable organizational documents and authorizations, authorizing the execution, delivery and performance of the Loan Documents to which it is a party and (B) certifying the name, title and true signature of each officer of such Loan Party executing the Loan Documents to which it is a party;

(iii) certified copies of the articles or certificate of incorporation, certificate of organization or limited partnership, or other registered organizational documents of each Loan Party, together with certificates of good standing or existence, as may be available from the Secretary of State of the jurisdiction of organization of such Loan Party and each other jurisdiction where such Loan Party is required to be qualified to do business as a foreign corporation;

(iv) a favorable written opinion of (x) Kramer Levin Naftalis & Frankel LLP, U.S. counsel to the Parent and the Loan Parties, and (y) Goldfarb Seligman & Co., Israeli counsel to the Parent, in each case, addressed to the Administrative Agent, the Issuing Bank and each of the Lenders, and covering such matters relating to the applicable Loan Parties, the Parent, the Loan Documents and the transactions contemplated therein as the Administrative Agent or the Required Lenders shall reasonably request;

(v) a certificate in the form of Exhibit 3.1(b)(v), dated the Closing Date and signed by a Responsible Officer of the Borrower, certifying that after giving effect to the funding of the Term Loans, the issuance of the initial Letters of Credit and any initial Revolving Borrowing, (x) no Default or Event of Default exists, (y) all representations and warranties of each Loan Party set forth in the Loan Documents are true and correct and (z) since the date of the financial statements of the Borrower described in Section 4.4, there shall have been no change which has had or could reasonably be expected to have a Material Adverse Effect;

(vi) a duly executed Notice of Borrowing for any initial Borrowing;

(vii) a duly executed funds disbursement agreement, together with a report setting forth the sources and uses of the proceeds hereof and the Equity Contribution;

(viii) certified copies of all consents, approvals, authorizations, registrations and filings and orders required or advisable to be made or obtained under any Requirement of Law, or by any Contractual Obligation of any Loan Party, the Seller or the Target, in connection with the execution, delivery, performance, validity and enforceability of the Loan Documents and the Related Transaction Documents or any of the transactions contemplated thereby, and such consents, approvals, authorizations, registrations, filings and orders shall be in full force and effect and all applicable waiting periods shall have expired, and no investigation or inquiry by any governmental authority regarding the Commitments or any transaction being financed with the proceeds thereof shall be ongoing;

(ix) a promissory note duly executed by the Borrower in favor of each Lender in the principal amount of each such Lender's Term Loan Commitment;

(x) copies of (A) the unaudited consolidated and consolidating balance sheet of the Target and its Subsidiaries as of September 30, 2015 and the related unaudited consolidated and consolidating statements of income, statements of stockholders' equity and statements of cash flows of the Target and its Subsidiaries for the six (6) month periods ended on September 30, 2014 and September 30, 2015, (B) the unaudited consolidated and consolidating balance sheet of the Target and its Subsidiaries and the related unaudited consolidated and consolidating statements of operations, statements of stockholders' equity and statements of cash flows of the Target and its Subsidiaries for the months of July, August and September 2015, (C) the audited consolidated and consolidating financial statements of the Target and its Subsidiaries for each of the fiscal years ended on December 31, 2012, December 31, 2013 and December 31, 2014 and the related statements of income, statements of stockholders' equity and statements of cash flows of the Target on a consolidated and consolidating basis for the year then ended, together with the notes thereto, all as certified by PricewaterhouseCoopers LLP and (D) financial projections for the Borrower and its Subsidiaries (after giving pro forma effect to the Closing Date Acquisition) on a quarterly basis for the Fiscal Year ending December 31, 2016 and annually thereafter through December 31, 2020;

(xi) a pro forma consolidated balance sheet and related pro forma consolidated statement of income of the Borrower and its Subsidiaries as of and for the Four Quarter period ending on September 30, 2015 (the "Closing Test Period"), prepared after giving effect to the Related Transactions as if the Related Transactions had occurred as of such date (in the case of such balance sheet) or at the beginning of such period (in the case of such other financial statements), along with supporting or other backup financial information reasonably requested by the Joint Lead Arrangers in connection therewith (the "Pro Forma Closing Financial Statements");

(xii) a duly completed and executed compliance certificate demonstrating that the Total Leverage Ratio is not greater than 2.055 to 1.00, in each case for the Closing Test Period, and determined by reference to the Pro Forma Closing Financial Statements (setting forth in reasonable detail such calculations);

(xiii) a certificate, dated the Closing Date and signed by the chief financial officer of each Loan Party, confirming that each Loan Party is Solvent before and after giving effect to the funding of the Term Loans, and any initial Revolving Borrowing and the consummation of the transactions contemplated to occur on the Closing Date;

(xiv) the Guaranty and Security Agreement, duly executed by Holdings and each of its Domestic Subsidiaries other than Immaterial Subsidiaries, together with (A) UCC financing statements and other applicable documents under the laws of all necessary or appropriate jurisdictions with respect to the perfection of the Liens granted under the Guaranty and Security Agreement, as requested by the Administrative Agent in order to perfect such Liens, duly authorized by the Loan Parties, (B) copies of favorable UCC, tax and judgment lien search reports in all necessary or appropriate jurisdictions and under all legal and trade names of Holdings and its Subsidiaries, as requested by the Administrative Agent, indicating that there are no prior Liens on any of the Collateral other than Permitted Encumbrances and Liens to be released on the Closing Date, (C) a Perfection Certificate, duly completed and executed by the Borrower, (D) duly executed Trademark Security Agreements, (E) original certificates evidencing all issued and outstanding shares of Capital Stock of all Subsidiaries owned directly by any Loan Party (or, if the pledge of all of the voting Capital Stock of any Foreign Subsidiary that is a CFC would result in materially adverse tax consequences, such pledge shall be limited to 65% of the issued and outstanding voting Capital Stock, or other evidence of ownership, of such Foreign Subsidiary and 100% of the issued and outstanding non-voting Capital Stock, or other evidence of ownership, of such Foreign Subsidiary, as applicable; provided that, in no event shall any such Foreign Subsidiary that is a CFC be required to grant or pledge any interest in the Capital Stock, or other evidence of ownership, of any Subsidiary of any such Foreign Subsidiary) and (F) stock or membership interest powers or other appropriate instruments of transfer executed in blank;

(xv) the Pledge Agreement, duly executed by the Parent, together with (A) a UCC financing statement and other applicable documents under the laws of all necessary or appropriate jurisdictions with respect to the perfection of the Liens granted in the Collateral under (and as defined in) the Pledge Agreement, as requested by the Administrative Agent in order to perfect such Liens, duly authorized by the Parent, (B) an executed Hebrew translation of the Pledge Agreement, signed by the Borrower, the Parent and the Administrative Agent and (C) Form 10 pursuant to the Supplement of the Israeli Companies Regulations (Report, Registration Details and Forms), 1999 ("Details of Mortgages and Pledges"), duly filed and signed by the Parent's officer;

(xvi) copies of a duly executed payoff letter, in form and substance satisfactory to the Administrative Agent, executed by Comerica Bank, as administrative agent under the Existing Credit Agreement, together with (a) UCC 3 or other appropriate termination statements, in form and substance satisfactory to the Administrative Agent, releasing all liens of the Existing Lenders upon any of the personal property of the Borrower and its Subsidiaries, (b) cancellations and releases, in form and substance satisfactory to the Administrative Agent, releasing all liens of the Existing Lenders upon any of the real property of the Borrower and its Subsidiaries, (c) any other releases, terminations or other documents reasonably required by the Administrative Agent to evidence the payoff of Indebtedness owed to the Existing Lenders and to Comerica Bank, as administrative agent under the Existing Credit Agreement and (d) confirmation from Comerica Bank, as administrative agent under the Existing Credit Agreement, that payment has been received in respect of the Existing Credit Agreement in an amount sufficient to repay and satisfy in full all Indebtedness under the Existing Credit Agreement (and otherwise required under such payoff letter to release all liens on all assets of the Borrower and its Subsidiaries) other than the net amount to be funded by the Administrative Agent on behalf of the Lenders hereunder as described in clause (vii) immediately above;

(xvii) certified copies of all Material Agreements;

(xviii) evidence that no Indebtedness of Holdings or its Subsidiaries remains outstanding as of the Closing Date (other than Indebtedness permitted to remain outstanding as set forth on Schedule 7.1);

(xix) such documents and other information regarding the Borrower, the Parent and the Guarantors as has been reasonably requested by the Administrative Agent or the Joint Lead Arrangers that they determine is required by regulatory authorities under applicable "know your customer" and anti-money laundering rules and regulations, including without limitation the Patriot Act; and

(xx) certificates of insurance, in form and detail acceptable to the Administrative Agent, describing the types and amounts of insurance (property and liability) maintained by any of the Loan Parties, in each case naming the Administrative Agent as loss payee or additional insured, as the case may be.

(c) The Equity Contribution shall have occurred in accordance with the Equity Documents, without alteration, amendment or other change, supplement or modification of the Equity Documents except as approved in writing by the Required Lenders. The Administrative Agent (or its counsel) shall have received certified copies of all Equity Documents, each in form and substance satisfactory to the Administrative Agent and the Joint Lead Arrangers.

(d) All conditions precedent to the Closing Date Acquisition, other than the funding of the Loans, shall have been satisfied (including confirmation that the Closing Date Certificate of Merger has been filed and confirmation that the Closing Payment (as defined in the Closing Date Acquisition Agreement) has been paid to the Paying Agent (as defined in the Closing Date Acquisition Agreement) on or before the Closing Date in accordance with the terms of the Merger Agreement), and the Closing Date Acquisition shall be consummated simultaneously with the closing and funding of the Loans in accordance with the Closing Date Acquisition Agreement, without alteration, amendment or other change, supplement or modification of the Closing Date Acquisition Agreement except for waivers of conditions that are not material or adverse to the Lenders or as otherwise approved in writing by the Required Lenders. The Administrative Agent (or its counsel) shall have received certified copies of the Closing Date Acquisition Agreement and all other material Closing Date Acquisition Documents, together with all material agreements, instruments and other documents delivered in connection therewith as the Administrative Agent shall reasonably request, each in form and substance satisfactory to the Administrative Agent and the Joint Lead Arrangers and each including certification by a Responsible Officer of the Borrower that such documents are in full force and effect as of the Closing Date.

Without limiting the generality of the provisions of this Section, for purposes of determining compliance with the conditions specified in this Section, each Lender that has signed this Agreement shall be deemed to have consented to, approved of, accepted or been satisfied with each document or other matter required thereunder to be consented to, approved by or acceptable or satisfactory to a Lender unless the Administrative Agent shall have received notice from such Lender prior to the proposed Closing Date specifying its objection thereto.

Section 3.2. Conditions to Each Credit Event**.** The obligation of each Lender to make a Loan on the occasion of any Borrowing and of the Issuing Bank to issue, amend, renew or extend any Letter of Credit is subject to Section 2.26(c) and the satisfaction of the following conditions:

(a) at the time of and immediately after giving effect to such Borrowing or the issuance, amendment, renewal or extension of such Letter of Credit, as applicable, no Default or Event of Default shall exist;

(b) at the time of and immediately after giving effect to such Borrowing or the issuance, amendment, renewal or extension of such Letter of Credit, as applicable, except for any representation or warranty made as of an earlier date, which representation and warranty shall remain true and correct as of such earlier date, all representations and warranties of each Loan Party set forth in the Loan Documents shall be true and correct in all material respects (other than those representations and warranties that are expressly qualified by a Material Adverse Effect or other materiality, in which case such representations and warranties shall be true and correct in all respects);

(c) the Borrower shall have delivered the required Notice of Borrowing; and

(d) the Administrative Agent shall have received such other documents, certificates, information or legal opinions as the Administrative Agent or the Required Lenders may reasonably request, all in form and substance reasonably satisfactory to the Administrative Agent or the Required Lenders.

Each Borrowing and each issuance, amendment, renewal or extension of any Letter of Credit shall be deemed to constitute a representation and warranty by the Borrower on the date thereof as to the matters specified in subsections (a), (b) and (c) of this Section.

Section 3.3. Delivery of Documents. All of the Loan Documents, certificates, legal opinions and other documents and papers referred to in this Article, unless otherwise specified, shall be delivered to the Administrative Agent for the account of each of the Lenders and in sufficient counterparts or copies for each of the Lenders and shall be in form and substance satisfactory in all respects to the Administrative Agent.

ARTICLE IV REPRESENTATIONS AND WARRANTIES

Each of Holdings and the Borrower represents and warrants, immediately after giving effect to the Related Transactions, to the Administrative Agent, each Lender and the Issuing Bank as follows:

Section 4.1. Existence; Power. Holdings and each of its Subsidiaries (i) is duly organized, validly existing and in good standing as a corporation, partnership or limited liability company under the laws of the jurisdiction of its organization, (ii) has all requisite power and authority to (a) carry on its business as now conducted, (b) execute, deliver and perform its obligations under the Loan Documents to which it is a party, and (iii) is duly qualified to do business, and is in good standing, in each jurisdiction where such qualification is required, except where a failure to be so qualified could not reasonably be expected to result in a Material Adverse Effect.

Section 4.2. Organizational Power; Authorization. The execution, delivery and performance by each Loan Party of the Loan Documents and the other Related Transaction Documents to which it is a party are within such Loan Party's organizational powers and have been duly authorized by all necessary organizational and, if required, shareholder, partner or member action. This Agreement has been duly executed and delivered by Holdings and the Borrower and constitutes, and each other Loan Document and Related Transaction Document to which any Loan Party is a party, when executed and delivered by such Loan Party, will constitute, valid and binding obligations of the Borrower or such Loan Party (as the case may be), enforceable against it in accordance with their respective terms, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general principles of equity.

Section 4.3. Governmental Approvals; No Conflicts. The execution, delivery and performance by each Loan Party of the Loan Documents and the other Related Transaction Documents to which it is a party (a) do not require any consent or approval of, registration or filing with, or any action by, any Governmental Authority, except (i) those as have been obtained or made and are in full force and effect and except for filings necessary to perfect or maintain perfection of the Liens created under the Loan Documents and (ii) to the extent such failure to obtain or make could not reasonably be expected to result in a Material Adverse Effect, (b) will not violate any Requirement of Law applicable to Holdings or any of its Subsidiaries or any judgment, order or ruling of any Governmental Authority, except for any violation which could not reasonably be expected to result in a Material Adverse Effect, (c) will not violate or result in a default under any Contractual Obligation of Holdings or any of its Subsidiaries or any of its assets or give rise to a right thereunder to require any payment to be made by Holdings or any of its Subsidiaries except to the extent such violation or default could not reasonably be expected to result in a Material Adverse Effect and (d) will not result in the creation or imposition of any Lien on any asset of Holdings or any of its Subsidiaries, except Liens (if any) created under the Loan Documents.

Section 4.4. Financial Statements.

(a) The Borrower has furnished to each Lender (i) the audited consolidated balance sheet of the Target and its Subsidiaries as of December 31, 2014, and the related audited consolidated statements of income, shareholders' equity and cash flows for the Fiscal Year then ended, prepared by PricewaterhouseCoopers LLP and (ii) the unaudited consolidated balance sheet of the Target and its Subsidiaries as of September 30, 2015, and the related unaudited consolidated statements of income and cash flows for the Fiscal Quarter and year-to-date period then ended, certified by a Responsible Officer. Such financial statements fairly present the consolidated financial condition of the Target and its Subsidiaries as of such dates and the consolidated results of operations for such periods in conformity with GAAP consistently applied, subject to year-end audit adjustments and the absence of footnotes in the case of the statements referred to in clause (ii).

(b) Since December 31, 2014, there has been no event, development or circumstance, either individually or in the aggregate, that has had or could reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect.

(c) The non-interest bearing capital notes described in the definition of "Equity Contribution" are neither Indebtedness nor Disqualified Capital Stock.

Section 4.5. Litigation and Environmental Matters.

(a) No litigation, investigation or proceeding of or before any arbitrators or Governmental Authorities is pending against or, to the knowledge of Holdings or the Borrower, threatened against or affecting Holdings or any of its Subsidiaries (i) as to which there is a reasonable possibility of an adverse determination that could reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect or (ii) which in any manner draws into question the validity or enforceability of this Agreement or any other Loan Document or Related Transaction Document.

(b) Except for the matters set forth on Schedule 4.5, none of Holdings, the Borrower or any of their respective Subsidiaries (i) has failed to comply with any Environmental Law or to obtain, maintain or comply with any permit, license or other approval required under any Environmental Law, (ii) has become subject to any Environmental Liability, (iii) has received notice of any claim with respect to any Environmental Liability or (iv) knows of any basis for any Environmental Liability.

Section 4.6. Compliance with Laws and Agreements. Holdings and each of its Subsidiaries is in compliance with (a) all Requirements of Law and all judgments, decrees and orders of any Governmental Authority and (b) all indentures, agreements or other instruments binding upon it or its properties, except where non-compliance, either individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

Section 4.7. Investment Company Act. Neither Holdings nor any of its Subsidiaries is (a) an "investment company" or is "controlled" by an "investment company", as such terms are defined in, or subject to regulation under, the Investment Company Act of 1940, as amended and in effect from time to time, or (b) otherwise subject to any other regulatory scheme limiting its ability to incur debt or requiring any approval or consent from, or registration or filing with, any Governmental Authority in connection therewith.

Section 4.8. Taxes. Holdings and its Subsidiaries and each other Person for whose Taxes the Borrower or any of its Subsidiaries could become liable have timely filed or caused to be filed all Federal and state income Tax returns and all other material Tax returns that are required to be filed by them, and have paid all Taxes shown to be due and payable on such returns or on any assessments made against it or its property and all other Taxes, fees or other charges imposed on it or any of its property by any Governmental Authority, except where the same are currently being contested in good faith by appropriate proceedings and for which the Borrower or such Subsidiary, as the case may be, has set aside on its books adequate reserves in accordance with GAAP. The charges, accruals and reserves on the books of Holdings and its Subsidiaries in respect of such Taxes are adequate, and no Tax liabilities that could be materially in excess of the amount so provided are anticipated.

Section 4.9. Margin Regulations. None of the proceeds of any of the Loans or Letters of Credit will be used, directly or indirectly, for "purchasing" or "carrying" any "margin stock" within the respective meanings of each of such terms under Regulation U or for any purpose that violates the provisions of Regulation T, Regulation U or Regulation X. Neither Holdings nor any of its Subsidiaries is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying "margin stock".

Section 4.10. ERISA. Each Plan is in substantial compliance in form and operation with its terms and with ERISA and the Code (including, without limitation, the Code provisions compliance with which is necessary for any intended favorable tax treatment) and all other applicable laws and regulations. Each Plan (and each related trust, if any) which is intended to be qualified under Section 401(a) of the Code has received a favorable determination letter from the IRS to the effect that it meets the requirements of Sections 401(a) and 501(a) of the Code covering all applicable tax law changes, or is comprised of a master or prototype plan that has received a favorable opinion letter from the IRS, and nothing has occurred since the date of such determination that would adversely affect such determination (or, in the case of a Plan with no determination, nothing has occurred that would adversely affect the issuance of a favorable determination letter or otherwise adversely affect such qualification). Except as would not reasonably be expected to result in a Material Adverse Effect, no ERISA Event has occurred or is reasonably expected to occur. There exists no Unfunded Pension Liability with respect to any Plan. None of Holdings, any of its Subsidiaries or any ERISA Affiliate is making or accruing an obligation to make contributions, or has, within any of the five calendar years immediately preceding the date this assurance is given or deemed given, made or accrued an obligation to make, contributions to any Multiemployer Plan. There are no actions, suits or claims pending against or involving a Plan (other than routine claims for benefits) or, to the knowledge of Holdings or the Borrower, any of the Subsidiaries of Holdings or any ERISA Affiliate, threatened, which would reasonably be expected to be asserted successfully against any Plan and, if so asserted successfully, would reasonably be expected either singly or in the aggregate to result in material liability to Holdings or any of its Subsidiaries. Holdings, each of its Subsidiaries and each ERISA Affiliate have made all contributions to or under each Plan and Multiemployer Plan required by law within the applicable time limits prescribed thereby, by the terms of such Plan or Multiemployer Plan, respectively, or by any contract or agreement requiring contributions to a Plan or Multiemployer Plan. No Plan which is subject to Section 412 of the Code or Section 302 of ERISA has applied for or received an extension of any amortization period within the meaning of Section 412 of the Code or Section 303 or 304 of ERISA. None of Holdings, any of its Subsidiaries or any ERISA Affiliate have ceased operations at a facility so as to become subject to the provisions of Section 4068(a) of ERISA, withdrawn as a substantial employer so as to become subject to the provisions of Section 4063 of ERISA or ceased making contributions to any Plan subject to Section 4064(a) of ERISA to which it made contributions. Each Non-U.S. Plan has been maintained in substantial compliance with its terms and with the requirements of any and all applicable laws, statutes, rules, regulations and orders and has been maintained, where required, in good standing with applicable regulatory authorities, except as would not reasonably be expected to result in liability to Holdings or any of its Subsidiaries. All contributions required to be made with respect to a Non-U.S. Plan have been timely made. Neither Holdings nor any of its Subsidiaries has incurred any obligation in connection with the termination of, or withdrawal from, any Non-U.S. Plan. The present value of the accrued benefit liabilities (whether or not vested) under each Non-U.S. Plan, determined as of the end of Holdings' most recently ended fiscal year on the basis of reasonable actuarial assumptions, did not exceed the current value of the assets of such Non-U.S. Plan allocable to such benefit liabilities.

Section 4.11. Ownership of Property; Intellectual Property; Insurance.

(a) Each of Holdings and its Subsidiaries has good title to, or valid leasehold interests in, all of its real and personal property material to the operation of its business, including all such properties reflected in the most recent audited consolidated balance sheet of the Target referred to in Section 3.1 or purported to have been acquired by the Borrower or any of its Subsidiaries after said date (except as sold or otherwise disposed of in the ordinary course of business), in each case free and clear of Liens prohibited by this Agreement. All leases that individually or in the aggregate are material to the business or operations of Holdings and its Subsidiaries are valid and subsisting and are in full force.

(b) Holdings and its Subsidiaries owns, or has a valid license to use, all Intellectual Property purported to be owned by or licensed to Holdings or its Subsidiaries or necessary for the conduct of its and their respective businesses as currently conducted free and clear of all Liens (except Liens expressly permitted by Section 7.2) without conflict with the rights of any other Person except where such conflict could not reasonably be expected to have a Material Adverse Effect. No holding, injunction, decision or judgment has been rendered by any Governmental Authority and neither Holdings nor any of its Subsidiaries has entered into any settlement or stipulation) which would limit, cancel or question the validity of the Holding's or any of its Subsidiary's rights in any Intellectual Property owned by or to the best of its knowledge exclusively licensed to Holdings or any such Subsidiary. No claim has been asserted (either to a Responsible Officer or otherwise, in writing), is pending or, to the best of Holdings' or the Borrower's knowledge, threatened in writing, by any Person challenging or questioning the use by Holdings or its Subsidiaries of any Intellectual Property used by it or the validity of any Intellectual Property used by it, or alleging any infringement, misappropriation or violation by Holdings or its Subsidiaries of any Intellectual Property of any Person, except in each case as could not reasonably be expected to have a Material Adverse Effect. The use of any Intellectual Property by Holdings or its Subsidiaries, and the conduct of their respective businesses, do not infringe on the Intellectual Property rights of any Person in a manner that could reasonably be expected to have a Material Adverse Effect. To the best of Holdings' and the Borrower's knowledge, no Person is infringing, misappropriating or violating any material Intellectual Property owned or exclusively licensed by Holdings or any of its Subsidiaries, and neither Holdings nor any of its Subsidiaries have made or threatened in writing to make any claim relating to the foregoing. Holdings and its Subsidiaries have taken all actions that in the exercise of their reasonable business judgment should be taken to protect their Intellectual Property, including Intellectual Property that is confidential in nature. Except as disclosed on Schedule 4.11(b), neither Holdings nor any of its Subsidiaries is party to, nor are they bound by, any inbound license or other agreement, the failure, breach, or termination of which could reasonably be expected to cause a Material Adverse Effect (any such license or agreement, a "Material Inbound License"), or in the case of any Material Inbound License, that prohibits or otherwise restricts Holdings or any of its Subsidiaries from granting a security interest in Holdings' or such Subsidiary's interest in such license or agreement or any other property.

(c) The properties of Holdings and its Subsidiaries are insured with financially sound and reputable insurance companies which are not Affiliates of Holdings, in such amounts with such deductibles and covering such risks as are customarily carried by companies engaged in similar businesses and owning similar properties in localities where Holdings or any applicable Subsidiary operates.

(d) As of the Closing Date, neither Holdings nor any of its Subsidiaries owns any Real Estate.

Section 4.12. Disclosure. Holdings and the Borrower have disclosed to the Lenders all agreements, instruments, and corporate or other restrictions to which Holdings or any its Subsidiaries is subject, and all other matters known to any of them, that, either individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect. None of the reports (including, without limitation, all reports that Holdings or the Borrower is required to file with the Securities and Exchange Commission), financial statements, certificates or other information furnished by or on behalf of Holdings or the Borrower to the Administrative Agent or any Lender in connection with the negotiation or syndication of this Agreement or any other Loan Document or delivered hereunder or thereunder (as modified or supplemented by any other information so furnished) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, taken as a whole in light of the circumstances under which they were made, not misleading; provided that, with respect to projected financial information, Holdings and the Borrower represent only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

Section 4.13. Labor Relations. There are no strikes, lockouts or other material labor disputes or grievances against Holdings or any of its Subsidiaries, or, to Holdings' or the Borrower's knowledge, threatened against or affecting Holdings or any of its Subsidiaries, and no significant unfair labor practice charges or grievances are pending against Holdings or any of its Subsidiaries, or, to Holdings' or the Borrower's knowledge, threatened against any of them before any Governmental Authority. All payments due from Holdings or any of its Subsidiaries pursuant to the provisions of any collective bargaining agreement have been paid or accrued as a liability on the books of Holdings and the Borrower (as applicable) or any such Subsidiary, except where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

Section 4.14. Subsidiaries. The Subsidiaries listed on Schedule 4.14 constitute all the Subsidiaries of Holdings as of the Closing Date. Schedule 4.14 sets forth as of the Closing Date the name and jurisdiction of incorporation of each Subsidiary and, as to each Subsidiary, the percentage of each class of Capital Stock owned by any Loan Party. All Capital Stock of the Borrower and each Subsidiary has been validly issued, are (as applicable) fully paid and nonassessable and are free and clear of all Liens. As of the Closing Date, except as set forth on Schedule 4.14, there are no outstanding subscriptions, options, warrants, calls, rights or other agreements or commitments of any nature to which Holdings or any of its Subsidiaries is a party relating to any Capital Stock of the Borrower or any of its Subsidiaries.

Section 4.15. Solvency. After giving effect to the execution and delivery of the Loan Documents and the other Related Transaction Documents, and the making of the Loans under this Agreement and the consummation of the other Related Transactions, the Borrower and each other Loan Party is Solvent.

Section 4.16. Deposit and Disbursement Accounts. Schedule 4.16 lists all banks and other financial institutions at which any Loan Party maintains deposit accounts, lockbox accounts, disbursement accounts, investment accounts or other similar accounts, as of the Closing Date, and such Schedule correctly identifies the name, address and telephone number of each financial institution, the name in which the account is held, the type of the account, and the complete account number therefor.

Section 4.17. Collateral Documents.

(a) The Guaranty and Security Agreement is effective to create in favor of the Administrative Agent for the ratable benefit of the Secured Parties a legal, valid and enforceable security interest in the Collateral (as defined therein), and when UCC financing statements in appropriate form are filed in the offices specified on Schedule 3 to the Guaranty and Security Agreement, the Liens created under the Guaranty and Security Agreement shall constitute a fully perfected Lien (to the extent that such Lien may be perfected by the filing of a UCC financing statement) on, and security interest in, all right, title and interest of the grantors thereunder in such Collateral, in each case prior and superior in right to any other Person, other than with respect to Liens expressly permitted by Section 7.2 which are prior as a matter of law. When the certificates evidencing all Capital Stock pledged pursuant to the Guaranty and Security Agreement are delivered to the Administrative Agent, together with appropriate stock powers or other similar instruments of transfer duly executed in blank, the Liens in such Capital Stock shall be fully perfected first priority security interests, perfected by "control" as defined in the UCC.

(b) When the filings in subsection (a) of this Section are made and when, if applicable, the Patent Security Agreements and the Trademark Security Agreements are filed in the United States Patent and Trademark Office and the Copyright Security Agreements are filed in the United States Copyright Office, the Liens created under the Guaranty and Security Agreement shall constitute a fully perfected Lien on, and security interest in, all right, title and interest of the Loan Parties in the Patents, Trademarks and Copyrights, if any, in which a security interest may be perfected by filing, recording or registering a security agreement, financing statement or analogous document in the United States Patent and Trademark Office or the United States Copyright Office, as applicable, in each case prior and superior in right to any other Person.

(c) Each Mortgage (if any), when duly executed and delivered by the relevant Loan Party, will be effective to create in favor of the Administrative Agent for the ratable benefit of the Secured Parties a legal, valid and enforceable Lien on all of such Loan Party's right, title and interest in and to the Real Estate of such Loan Party covered thereby and the proceeds thereof, and when such Mortgage is filed in the real estate records where the respective Mortgaged Property is located, such Mortgage shall constitute a fully perfected Lien on, and security interest in, all right, title and interest of such Loan Party in such Real Estate and the proceeds thereof, in each case prior and superior in right to any other Person, other than with respect to Liens expressly permitted by Section 7.2 which are prior as a matter of law.

(d) No Mortgage (if any) encumbers improved real property that is located in an area that has been identified by the Secretary of Housing and Urban Development as an area having special flood hazards and in which flood insurance has been made available under the National Flood Insurance Act of 1968.

Section 4.18. Material Agreements. As of the Closing Date, all Material Agreements of Holdings and its Subsidiaries are described on Schedule 4.18, and each such Material Agreement is in full force and effect. As of the Closing Date, neither the Borrower nor Holdings has any knowledge of any pending amendments or threatened termination of any Material Agreements. As of the Closing Date, Holdings has delivered to the Administrative Agent a true, complete and correct copy of each Material Agreement (including all schedules, exhibits, amendments, supplements, modifications, assignments and all other documents delivered pursuant thereto or in connection therewith).

Section 4.19. Anti-Corruption Laws and Sanctions. Holdings and the Borrower have implemented and maintain in effect policies and procedures designed to ensure compliance in all material respects by Holdings, the Borrower, their respective Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions, and Holdings and the Borrower, their respective Subsidiaries and their respective directors, officers and employees and to the knowledge of Holdings and the Borrower, their agents, are in compliance with Anti-Corruption Laws and applicable Sanctions. None of (a) Holdings, the Borrower, any Subsidiary of Holdings or the Borrower or any of their respective directors, officers or employees, or (b) to the knowledge of Holdings and the Borrower, any agent of Holdings and the Borrower or any Subsidiary of Holdings or the Borrower that will act in any capacity in connection with or benefit from the credit facilities established hereby, is a Sanctioned Person. No Borrowing or Letter of Credit, use of proceeds or other Transactions will violate Anti-Corruption Laws or applicable Sanctions.

Section 4.20. Information Privacy and Security.

(a) Holdings and its Subsidiaries each have privacy policies (collectively, "Privacy Policies") providing notice of Holdings' or such Subsidiary's privacy, data protection and data security practices regarding the collection, use, processing, and disclosure of information, including Covered Personal Information, in connection with the conduct of the business of Holdings and each of its Subsidiaries.

(b) Holdings and each Subsidiary is each in compliance, and has complied, with all Privacy Laws that relate to or govern the collection, compilation, use, storage, processing, sale, transfer and disclosure of information received or obtained by any of them in the conduct of their businesses, including Covered Personal Information except to the extent the failure to comply could not reasonably be expected to have or result in a Material Adverse Effect. Neither Holdings nor any of its Subsidiaries has collected, used, processed, stored, sold, transferred or disclosed any Covered Personal Information in violation of their respective privacy policies or notices, the privacy rights of third parties, or any contractual obligations to any of its customers except to the extent such collection, use, processing, sale, transfer or disclosure could not reasonably be expected to have or result in a Material Adverse Effect. Holdings and its Subsidiaries have each at all times made any and all disclosures to individuals or customers and obtained any consents as required by Privacy Law, and none of such disclosures, including without limitation disclosures made or contained in any privacy policies, notices, or any other related materials, have been inaccurate, misleading or deceptive in any material respect.

(c) No Person has gained unauthorized access to or acquisition of any Covered Personal Information held by Holdings or any of its Subsidiaries, or otherwise collected, held, processed, stored, transferred, or disclosed any Covered Personal Information on their behalf.

(d) Holdings and each of its Subsidiaries have established and implemented policies, programs, procedures, contracts and systems in compliance with all Privacy Laws in all material respects.

(e) Holdings and each of its Subsidiaries have in place reasonable and appropriate security measures that have been regularly tested and reviewed to protect Covered Personal Information that Holdings or its Subsidiaries, as applicable, receive, possess, store, or otherwise control, from loss and illegal or unauthorized access, use, modification, disclosure, or other misuse. Holdings and its Subsidiaries has each implemented a reasonable and appropriate plan, or plans, that (i) identifies internal and external risks to the security of Covered Personal Information; (ii) implements, monitors and improves administrative, technical, electronic and physical safeguards to control those risks; (iii) maintains notification procedures in compliance with Privacy Law in the case of any breach of security compromising data, including unencrypted data containing Covered Personal Information; and (iv) complies with all Privacy Laws regarding encryption. Holdings and each of its Subsidiaries maintain disaster recovery and business continuity plans, procedures and facilities that are reasonable and customary for a business of substantially similar size that handles information similar to the Covered Personal Information.

(f) There is no and never has been any proceeding, action, suit or claim pending or threatened against Holdings or any of its Subsidiaries alleging a violation of any Privacy Law, or of any Person's privacy, data protection or data security rights, nor has there been any court order affecting Holdings' or any of its Subsidiaries' use or disclosure of any Covered Personal Information that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect. Neither Holdings nor any of its Subsidiaries have received any communications from, or has been the subject of any investigation by, any governmental body, agency, regulator, or official regarding its acquisition, use or disclosure of any Covered Personal Information, or of any data breach affecting such Covered Personal Information that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

ARTICLE V AFFIRMATIVE COVENANTS

Until the Commitments have expired or been terminated and all Obligations have been paid in full and all Letters of Credit shall have expired or terminated, in each case without any pending draw, or all such Letters of Credit shall have been cash collateralized to the satisfaction of the Issuing Bank, and all LC Disbursements shall have been reimbursed, each of Holdings and the Borrower covenants and agrees with the Lenders that:

Section 5.1. Financial Statements and Other Information. The Borrower will deliver to the Administrative Agent and each Lender:

(a) as soon as available and in any event within 120 days (or 150 days with respect to the Fiscal Year ending December 31, 2015) after the end of each Fiscal Year of the Borrower (commencing with the Fiscal Year of the Borrower ending December 31, 2015), a copy of the annual audited report for such Fiscal Year for the Borrower and its Subsidiaries, containing a consolidated and unaudited consolidating (in form and detail satisfactory to the Administrative Agent) balance sheet of the Borrower and its Subsidiaries as of the end of such Fiscal Year and the related consolidated and unaudited consolidating statements of income, stockholders' equity and cash flows (together with all footnotes thereto) of the Borrower and its Subsidiaries for such Fiscal Year, setting forth in each case in comparative form the figures for the previous Fiscal Year, all in reasonable detail and (in the case of audited financial statements) reported on by Kost Forer Gabbay & Kasierer or other independent public accountants of nationally recognized standing (without a "going concern" or like qualification, exception or explanation and without any qualification or exception as to the scope of such audit) to the effect that such financial statements present fairly in all material respects the financial condition and the results of operations of the Borrower and its Subsidiaries for such Fiscal Year on a consolidated basis in accordance with GAAP and that the examination by such accountants in connection with such consolidated financial statements has been made in accordance with generally accepted auditing standards;

(b) as soon as available and in any event within 45 days after the end of each Fiscal Quarter of the Borrower, an unaudited consolidated and consolidating balance sheet of the Borrower and its Subsidiaries as of the end of such Fiscal Quarter and the related unaudited consolidated and consolidating statements of income and cash flows of the Borrower and its Subsidiaries for such Fiscal Quarter and the then elapsed portion of such Fiscal Year, setting forth in each case in comparative form the figures for the corresponding Fiscal Quarter and the corresponding portion of the Borrower's previous Fiscal Year and the corresponding figures for the budget for the current Fiscal Year;

(c) [reserved];

(d) concurrently with the delivery of the financial statements referred to in subsections (a) and (b) of this Section, a Compliance Certificate signed by the principal executive officer or the principal financial officer of the Borrower (i) certifying as to whether there exists a Default or Event of Default on the date of such certificate and, if a Default or an Event of Default then exists, specifying the details thereof and the action which the Borrower has taken or proposes to take with respect thereto, (ii) setting forth in reasonable detail calculations demonstrating compliance with the financial covenants set forth in Article VI, (iii) specifying any change in the identity of the Subsidiaries as of the end of such Fiscal Year or Fiscal Quarter from the Subsidiaries identified to the Lenders on the Closing Date or as of the most recent Fiscal Year or Fiscal Quarter, as the case may be and (v) stating whether any change in GAAP or the application thereof has occurred since the date of the mostly recently delivered audited financial statements of the Borrower and its Subsidiaries, and, if any change has occurred, specifying the effect of such change on the financial statements accompanying such Compliance Certificate;

(e) as soon as available and in any event within 60 days after the end of the calendar year, forecasts and a pro forma budget for the succeeding Fiscal Year, containing an income statement, balance sheet and statement of cash flow;

(f) promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials filed with the Securities and Exchange Commission, or any Governmental Authority succeeding to any or all functions of said Commission, or with any national securities exchange, or distributed by Holdings or the Borrower to their respective shareholders generally, as the case may be; and

(g) promptly following any request therefor, such other information regarding the results of operations, business affairs and financial condition of Holdings and/or the Borrower or any of the Subsidiaries of the Borrower as the Administrative Agent or any Lender may reasonably request.

Section 5.2. Notices of Material Events.

(a) Holdings and the Borrower will furnish to the Administrative Agent and each Lender prompt (and, in any event, not later than three (3) Business Days after a Responsible Officer of the Borrower or Holdings becomes aware thereof) written notice of the following:

(i) the occurrence of any Default or Event of Default;

(ii) the filing or commencement of, or any material development in, any action, suit or proceeding by or before any arbitrator or Governmental Authority against or, to the knowledge of Holdings or the Borrower, affecting Holdings or any of its Subsidiaries which, if adversely determined, could reasonably be expected to result in a Material Adverse Effect;

(iii) the occurrence of any event or any other development by which Holdings or any of its Subsidiaries (A) fails to comply with any Environmental Law or to obtain, maintain or comply with any permit, license or other approval required under any Environmental Law, (B) becomes subject to any Environmental Liability, (C) receives notice of any claim with respect to any Environmental Liability, or (D) becomes aware of any basis for any Environmental Liability, in each case which, either individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect;

(iv) promptly and in any event within 15 days after (A) Holdings, the Borrower, any of their respective Subsidiaries or any ERISA Affiliate knows or has reason to know that any ERISA Event has occurred, a certificate of the chief financial officer of the Borrower or Holdings describing such ERISA Event and the action, if any, proposed to be taken with respect to such ERISA Event and a copy of any notice filed with the PBGC or the IRS pertaining to such ERISA Event and any notices received by Holdings, the Borrower, such Subsidiary or such ERISA Affiliate from the PBGC or any other governmental agency with respect thereto, and (B) becoming aware (1) that there has been an increase in Unfunded Pension Liabilities (not taking into account Plans with negative Unfunded Pension Liabilities) since the date the representations hereunder are given or deemed given, or from any prior notice, as applicable, (2) of the existence of any Withdrawal Liability, (3) of the adoption of, or the commencement of contributions to, any Plan subject to Section 412 of the Code by Holdings, the Borrower, any of their respective Subsidiaries or any ERISA Affiliate, or (4) of the adoption of any amendment to a Plan subject to Section 412 of the Code which results in a material increase in contribution obligations of Holdings, the Borrower, any of their respective Subsidiaries or any ERISA Affiliate, a detailed written description thereof from the chief financial officer of the Borrower or Holdings;

(v) the occurrence of any default or event of default, or the receipt by Holdings, the Borrower or any Subsidiary of any written notice of an alleged default or event of default, with respect to any Material Indebtedness of Holdings or any of its Subsidiaries;

(vi) any amendment, supplement, waiver or other modification with respect to the Closing Date Acquisition Documents and will promptly following the effectiveness thereof (but in any event not later than three Business Days thereafter), provide copies of the same to the Administrative Agent;

(vii) any material amendment or modification to any Material Agreement (together with a copy thereof), and prompt notice of any termination, expiration or loss of any Material Agreement that, individually or in the aggregate, could reasonably be expected to result in a reduction in revenue or Consolidated EBITDA of the Borrower and its Subsidiaries of 10% or more on a consolidated basis from the prior Fiscal Year;

(viii) the making of any demand or claim by the Borrower, Holdings or the Parent for indemnification or similar payments under the Closing Date Acquisition Agreement (including any action to set-off against the Holdback Amount (as defined in the Closing Date Acquisition Agreement)), including copies of any notices sent to any party to the Closing Date Acquisition Agreement in connection with the foregoing; and

(ix) any other development that results in, or could reasonably be expected to result in, a Material Adverse Effect.

(b) Holdings and the Borrower will furnish to the Administrative Agent and each Lender the following:

(i) promptly and in any event at least thirty (30) days prior thereto, notice of any change (A) in any Loan Party's legal name, (B) in any Loan Party's chief executive office, its principal place of business, any office in which it maintains books or records or any office or facility at which Collateral owned by it is located (including the establishment of any such new office or facility), (C) in any Loan Party's identity or legal structure, (D) in any Loan Party's federal taxpayer identification number or organizational number or (E) in any Loan Party's jurisdiction of organization;

(ii) within thirty (30) days of the last day of each Fiscal Quarter, a report signed by Borrower, in form reasonably acceptable to the Administrative Agent, listing any applications or registrations that Holdings, the Borrower or any Subsidiary has made or filed in respect of any Patents, Copyrights or Trademarks (each as defined in the Guaranty and Security Agreement); and

(iii) as soon as available and in any event within thirty (30) days after receipt thereof, a copy of any environmental report or site assessment obtained by or for Holdings, the Borrower or any of their respective Subsidiaries after the Closing Date on any Real Estate.

Each notice or other document delivered under this Section shall be accompanied by a written statement of a Responsible Officer setting forth the details of the event or development requiring such notice or other document and any action taken or proposed to be taken with respect thereto.

Section 5.3. Existence; Conduct of Business. Holdings and the Borrower will, and will cause each Subsidiary to, do or cause to be done all things necessary to preserve, renew and maintain in full force and effect its legal existence and its respective rights, licenses, permits, privileges, franchises and Intellectual Property material to the conduct of its business; provided that nothing in this Section shall prohibit any merger, consolidation, liquidation or dissolution permitted under Section 7.3.

Section 5.4. Compliance with Laws. Holdings and the Borrower will, and will cause each of their respective Subsidiaries to, comply with all laws, rules, regulations and requirements of any Governmental Authority applicable to its business and properties, including, without limitation, all Privacy Laws, Environmental Laws, ERISA and OSHA, except where the failure to do so, either individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

Section 5.5. Payment of Obligations. Holdings and the Borrower will, and will cause each of their respective Subsidiaries to, pay and discharge at or before maturity all of its obligations and liabilities (including, without limitation, all taxes, assessments and other governmental charges, levies and all other claims that could result in a statutory Lien) before the same shall become delinquent or in default, except where (a) the validity or amount thereof is being contested in good faith by appropriate proceedings, (b) Holdings, the Borrower or such Subsidiary has set aside on its books adequate reserves with respect thereto in accordance with GAAP and (c) the failure to make payment pending such contest could not reasonably be expected to result in a Material Adverse Effect.

Section 5.6. Books and Records. Holdings and the Borrower will, and will cause each of their respective Subsidiaries to, keep proper books of record and account in which full, true and correct entries shall be made of all dealings and transactions in relation to its business and activities to the extent necessary to prepare the consolidated financial statements of Holdings and/or the Borrower in conformity with GAAP.

Section 5.7. Visitation and Inspection. Holdings and the Borrower will, and will cause each Subsidiary of the Borrower to, permit any representative of the Administrative Agent or any Lender to visit and inspect its properties, to examine its books and records and to make copies and take extracts therefrom, and to discuss its affairs, finances and accounts with any of its officers and with its independent certified public accountants, all at such reasonable times and as often as the Administrative Agent or any Lender may reasonably request after reasonable prior notice to Holdings; provided that, so long as no Event of Default shall have occurred and be continuing, (i) such visits and inspections will not unreasonably interfere with the operation of Holdings, the Borrower or Subsidiaries of the Borrower, (ii) only representatives designated by the Administrative Agent will have access to any data relating to customers of the Borrower and its Subsidiaries or such customers' customers, (iii) only representatives designated by the Administrative Agent will have access to any trade secrets and (iv) the Borrower shall not be required to pay for the cost and expense of more than one (1) such visit and inspection in any Fiscal Year; provided, further, that if an Event of Default has occurred and is continuing, the limitations on visits and inspections contained herein shall no longer apply, except that prior notice of such visit and inspection will be given to Holdings (which notice may be given the day of such visit and inspection).

Section 5.8. Maintenance of Properties; Insurance. Holdings and the Borrower will, and will cause each of their respective Subsidiaries to, (a) keep and maintain (i) all property material to the conduct of its business in good working order and condition, ordinary wear and tear excepted and (ii) the validity and ownership or right to use all Intellectual Property material to the conduct of its business, including without limitation maintaining all registrations of such Intellectual Property, (b) maintain with financially sound and reputable insurance companies which are not Affiliates of Holdings (i) insurance with respect to their respective properties and business, and the properties and business of their Subsidiaries, against loss or damage of the kinds customarily insured against by companies in the same or similar businesses operating in the same or similar locations (including, in any event, flood insurance as described in the definition of Real Estate Documents) and (ii) all insurance required to be maintained pursuant to the Collateral Documents, and will, upon request of the Administrative Agent, furnish to each Lender at reasonable intervals a certificate of a Responsible Officer of the Borrower setting forth the nature and extent of all insurance maintained by Holdings, the Borrower and Subsidiaries of the Borrower in accordance with this Section, and (c) at all times shall name the Administrative Agent as additional insured on all liability policies of Holdings, the Borrower and Subsidiaries of the Borrower and as loss payee (pursuant to a loss payee endorsement approved by the Administrative Agent) on all casualty and property insurance policies of Holdings, the Borrower and Subsidiaries of the Borrower.

Section 5.9. Use of Proceeds; Margin Regulations. The Borrower will use the proceeds of the Term Loans on the Closing Date to finance a portion of the Closing Date Acquisition (including specifically the repayment in full of Indebtedness in connection with the Existing Credit Agreement) and to pay transaction costs and expenses arising in connection with the Related Transaction Documents. After the Closing Date, the Borrower will use the proceeds of Revolving Loans to finance working capital needs, Permitted Acquisitions and capital expenditures and for other general corporate purposes of the Borrower and its Subsidiaries. No part of the proceeds of any Loan will be used, whether directly or indirectly, for any purpose that would violate any rule or regulation of the Board of Governors of the Federal Reserve System, including Regulation T, Regulation U or Regulation X. All Letters of Credit will be used for general corporate purposes. The Borrower will not request any Borrowing or Letter of Credit, and the Borrower shall not use, and the Borrower shall ensure that its Subsidiaries and Holdings and its Subsidiaries, and its or their respective directors, officers, employees and agents shall not use, the proceeds of any Borrowing or Letter of Credit (i) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws, (ii) for the purpose of funding, financing or facilitating any activities, business or transaction of or with any Sanctioned Person, or in any Sanctioned Country or (iii) in any manner that would result in the violation of any Sanctions applicable to any party hereto.

Section 5.10. Casualty and Condemnation. The Borrower (a) will furnish to the Administrative Agent and the Lenders prompt written notice of any casualty or other insured damage to any material portion of any Collateral or the commencement of any action or preceding for the taking of any material portion of any Collateral or any part thereof or interest therein under power of eminent domain or by condemnation or similar proceeding and (b) will ensure that the net cash proceeds of any such event (whether in the form of insurance proceeds, condemnation awards or otherwise) are collected and applied in accordance with the applicable provisions of this Agreement and the Collateral Documents.

Section 5.11. Cash Management. Commencing no later than 75 days after the Closing Date, Holdings and the Borrower shall, and shall cause the Domestic Subsidiaries of Holdings to:

(a) maintain all cash management and treasury business with a Permitted Third Party Bank, including, without limitation, all deposit accounts, disbursement accounts, investment accounts and lockbox accounts (other than (i) zero-balance accounts for the purpose of managing local disbursements, payroll and withholding, (ii) payroll, withholding and other fiduciary accounts (so long as such fiduciary account is not for the benefit of any Affiliate of Holdings), (iii) money market account (account no. 1894408952) at Comerica Bank in the name of Intercept Interactive Inc. with a balance not to exceed $1,182,314 and (iv) accounts having an aggregate balance not exceeding $25,000 at any time (collectively, the "Unrestricted Accounts"), all of which the Loan Parties may maintain without restriction (except for those restrictions set forth in the Guaranty and Security Agreement)) (each such deposit account, disbursement account, investment account and lockbox account, a "Controlled Account"); each Controlled Account shall be a cash collateral account, with all cash, checks and other similar items of payment in such account securing payment of the Obligations, and in which Holdings, the Borrower and each of their respective Domestic Subsidiaries shall have granted a first priority Lien to the Administrative Agent, on behalf of the Secured Parties, perfected either automatically under the UCC (with respect to Controlled Accounts at SunTrust Bank) or subject to Control Account Agreements;

(b) deposit promptly, and in any event no later than 10 Business Days after the date of receipt thereof, all cash, checks, drafts or other similar items of payment relating to or constituting payments made in respect of any and all accounts and other Collateral into Controlled Accounts, in each case except for (i) Permitted Investments the aggregate value of which does not exceed $250,000 at any time, (ii) amounts held in Unrestricted Accounts and (iii) amounts used exclusively for payroll and withholding and any amounts held in a fiduciary account (so long as such fiduciary account is not for the benefit of any Affiliate of Holdings); and

(c) at any time after the occurrence and during the continuance of an Event of Default, at the request of the Administrative Agent or the Required Lenders, Holdings and the Borrower will, and will cause each other Loan Party to, cause all payments constituting proceeds of accounts or other Collateral to be directed into deposit accounts that are subject to Control Account Agreements.

Section 5.12. Additional Subsidiaries and Collateral.

(a) In the event that, subsequent to the Closing Date, any Person becomes a Subsidiary (other than an Immaterial Subsidiary, a CFC or any Subsidiary of a CFC), whether pursuant to formation, acquisition or otherwise, (x) Holdings shall promptly notify the Administrative Agent and the Lenders thereof and (y) within 30 days after such Person becomes a Subsidiary Holdings shall cause such Subsidiary (i) to become a new Guarantor and to grant Liens in favor of the Administrative Agent in all of its personal property by executing and delivering to the Administrative Agent a supplement to the Guaranty and Security Agreement in form and substance reasonably satisfactory to the Administrative Agent (or a new security agreement in form and substance reasonably satisfactory to the Administrative Agent), executing and delivering a Copyright Security Agreement, Patent Security Agreement and Trademark Security Agreement, as applicable, and authorizing and delivering, at the request of the Administrative Agent, such UCC financing statements or similar instruments required by the Administrative Agent to perfect the Liens in favor of the Administrative Agent and granted under any of the Loan Documents, (ii) to grant Liens in favor of the Administrative Agent in all fee ownership interests in Real Estate by executing and delivering to the Administrative Agent such Real Estate Documents as the Administrative Agent shall require, and (iii) to deliver all such other documentation (including, without limitation, certified organizational documents, resolutions, lien searches, title insurance policies, surveys, environmental reports and legal opinions) and to take all such other actions as such Subsidiary would have been required to deliver and take pursuant to Section 3.1 if such Subsidiary had been a Loan Party on the Closing Date or that such Subsidiary would be required to deliver pursuant to Section 5.13 with respect to any Real Estate. In addition, within 30 days after the date any Person becomes a Subsidiary (other than a CFC or any Subsidiary of a CFC), Holdings shall, or shall cause the applicable Loan Party to (i) pledge all of the Capital Stock of such Subsidiary to the Administrative Agent as security for the Obligations by executing and delivering a supplement to the Guaranty and Security Agreement in form and substance satisfactory to the Administrative Agent (or other pledge agreement in form and substance reasonably satisfactory to the Administrative Agent), and (ii) deliver the original certificates evidencing such pledged Capital Stock to the Administrative Agent, together with appropriate powers executed in blank. Notwithstanding the terms of this Section 5.12(a) or any other term in this Agreement or any other Loan Document to the contrary, no Loan Party shall be required to pledge its ownership interest in any Capital Stock of any joint venture that is not a Subsidiary if the grant of a security interest therein would violate any organizational document of such joint venture.

(b) In the event that, subsequent to the Closing Date, any Person becomes a Foreign Subsidiary that is a CFC, whether pursuant to formation, acquisition or otherwise, (x) Holdings shall promptly notify the Administrative Agent and the Lenders thereof and (y) to the extent such Foreign Subsidiary is owned directly by any Loan Party, within 60 days after such Person becomes a Foreign Subsidiary or, if the Administrative Agent determines in its sole discretion that Holdings is working in good faith, such longer period as the Administrative Agent shall permit not to exceed 60 additional days, Holdings shall, or shall cause the applicable Loan Party to (i) pledge 65% of the issued and outstanding voting Capital Stock and 100% of the issued and outstanding non-voting Capital Stock units, or other evidence of ownership, of such Foreign Subsidiary, as applicable; provided that, in no event shall any such Foreign Subsidiary that is a CFC be required to grant or pledge any interest in the Capital Stock, or other evidence of ownership, of any Subsidiary of any such Foreign Subsidiary) to the Administrative Agent as security for the Obligations pursuant to a pledge agreement in form and substance satisfactory to the Administrative Agent; provided that no pledge agreement governed by the applicable law of any non-U.S. jurisdiction shall be required for any Foreign Subsidiary that is not a Material Foreign Subsidiary, (ii) deliver the original certificates evidencing such pledged Capital Stock to the Administrative Agent, together with appropriate powers executed in blank and (iii) if such Foreign Subsidiary is a Material Foreign Subsidiary, deliver all such other documentation (including, without limitation, certified organizational documents, resolutions, lien searches and legal opinions) and to take all such other actions as the Administrative Agent may reasonably request.

(c) Holdings agrees that, following the delivery of any Collateral Documents required to be executed and delivered by this Section, the Administrative Agent shall have a valid and enforceable, first priority perfected Lien on the property required to be pledged pursuant to subsections (a) and (b) of this Section (to the extent that such Lien can be perfected by execution, delivery and/or recording of the Collateral Documents or UCC financing statements, or possession of such Collateral), free and clear of all Liens other than Liens expressly permitted by Section 7.2. All actions to be taken pursuant to this Section shall be at the expense of the Borrower or the applicable Loan Party, and shall be taken to the reasonable satisfaction of the Administrative Agent.

Section 5.13. Additional Real Estate; Leased Locations.

(a) To the extent otherwise permitted hereunder, if any Loan Party proposes to acquire a fee ownership interest in Real Estate after the Closing Date having a Fair Market Value in excess of $500,000 as of the date of the acquisition thereof, it shall within sixty (60) days after such acquisition provide to the Administrative Agent all Real Estate Documents reasonably requested by the Administrative Agent granting the Administrative Agent a first priority Lien on such Real Estate.

(b) To the extent otherwise permitted hereunder, if any Loan Party proposes to lease any Real Estate that is a headquarters location or a location where books or records, or Collateral with a value of at least $250,000, will be stored or located, it shall first provide to the Administrative Agent a copy of such lease and a Collateral Access Agreement from the landlord of such leased property, which agreement or letter shall be reasonably satisfactory in form and substance to the Administrative Agent; provided that if such Loan Party is unable to deliver any such Collateral Access Agreement after using its commercially reasonable efforts to do so, the Administrative Agent may waive the foregoing requirement in its reasonable discretion.

Section 5.14. Further Assurances. Holdings and the Borrower will, and will cause each other Loan Party to, execute any and all further documents, financing statements, agreements and instruments, and take all such further actions (including the filing and recording of financing statements, fixture filings, Mortgages and other documents), which may be required under any applicable law, or which the Administrative Agent or the Required Lenders may reasonably request, to effectuate the transactions contemplated by the Loan Documents or to grant, preserve, protect or perfect the Liens created by the Collateral Documents or the validity or priority of any such Lien, all at the expense of the Loan Parties. Holdings and the Borrower also agree to provide to the Administrative Agent, from time to time upon request, evidence reasonably satisfactory to the Administrative Agent as to the perfection and priority of the Liens created or intended to be created by the Collateral Documents.

Section 5.15. Interest Rate Protection. As promptly as practicable, and in any event commencing within ninety (90) days after the Closing Date, for the two (2) year period immediately following the Closing Date, the Borrower will maintain in effect at all times one or more Hedging Transactions on such terms and with such parties as shall be reasonably satisfactory to the Administrative Agent, the effect of which shall be to fix or limit the interest cost to the Borrower with respect to at least 50% of the Term Loans as of the Closing Date. The parties hereto agree that such Hedging Transactions may have a LIBOR strike rate of 1.50%.

Section 5.16. Consent of Inbound Licensors. Prior to entering into or becoming bound by any inbound license or agreement (other than over-the-counter software that is commercially available to the public), the failure, breach, or termination of which could reasonably be expected to cause a Material Adverse Effect, Holdings shall, and shall cause its Subsidiaries to, use commercially reasonably efforts to obtain the consent of, or waiver by, any Person whose consent or waiver is necessary for (A) Holdings' or such Subsidiary's interest in such licenses or contract rights to be deemed Collateral and for Administrative Agent (for the benefit of the Secured Parties) to have a security interest in it that might otherwise be restricted by the terms of the applicable license or agreement, whether now existing or entered into in the future, and (B) the Administrative Agent to have the ability in the event of a liquidation of any Collateral to dispose of such Collateral in accordance with the Administrative Agent's rights and remedies under this Agreement and the other Loan Documents.

Section 5.17. [reserved].

Section 5.18. Information Privacy and Security.

(a) Holdings and its Subsidiaries will each actively maintain and update their respective Privacy Policies, information security measures (including measures designed to protect Covered Personal Information from loss and illegal or unauthorized access, use, modification, disclosure, or other misuse), and disaster recovery and business continuity plans in accordance with Requirements of Law (including Privacy Laws) and best practice.

(b) Any transfer of Covered Personal Information to or by Holdings or any of its Subsidiaries will not violate (i) any representation (whether express or implied) made to any consumer or data subject, or representative of such consumer or data subject, from whom such Covered Personal Information was originally obtained; (ii) the privacy policies of Holdings and its Subsidiaries as they exist at the time of such transfer or as they existed at any time during which any of the Covered Personal Information was collected or obtained; (iii) the privacy policy of any other Person as it exists at the time of such transfer or as it existed at any time during which any of the Covered Personal Information was collected, obtained, or processed; or (iii) Privacy Law, in each case, except to the extent such violation could not reasonably be expected to have or result in a Material Adverse Effect.

Section 5.19. Post Closing Conditions. Holdings will, and will cause the other Loan Parties to, execute and deliver the documents and complete the tasks set forth on Schedule 5.19 in each case within the time limits specified on such schedule (or such longer period as the Administrative Agent may agree in its sole discretion).

ARTICLE VI

FINANCIAL COVENANTS

Each of Holdings and the Borrower covenants and agrees that so long as any Lender has a Commitment hereunder or any Obligation remains unpaid or outstanding:

Section 6.1. Total Leverage Ratio. The Borrower will maintain, as of the end of each Fiscal Quarter, commencing with the Fiscal Quarter ending on December 31, 2015, a Total Leverage Ratio of not greater than:

Fiscal Quarter	Total Leverage Ratio
Each Fiscal Quarter ending on or prior to March 31, 2016	2.50:1.00
Fiscal Quarter ending June 30, 2016	2.50:1.00
Fiscal Quarter ending September 30, 2016	2.50:1.00
Fiscal Quarter ending December 31, 2016	2.35:1.00
Fiscal Quarter ending March 31, 2017	2.20:1.00
Fiscal Quarter ending June 30, 2017	2.00:1.00
Fiscal Quarter ending September 30, 2017	1.75:1.00
Fiscal Quarter ending December 31, 2017	1.50:1.00
Fiscal Quarter ending March 31, 2018	1.50:1.00
Fiscal Quarter ending June 30, 2018	1.35:1.00
Fiscal Quarter ending September 30, 2018	1.25:1.00
Fiscal Quarter ending December 31, 2018 and each Fiscal Quarter thereafter	1.15:1.00

Section 6.2. Fixed Charge Coverage Ratio. The Borrower will maintain, as of the end of each Fiscal Quarter, commencing with the Fiscal Quarter ending on December 31, 2015, a Fixed Charge Coverage Ratio of not less than 2.00:1.00.

ARTICLE VII

NEGATIVE COVENANTS

Each of Holdings and the Borrower covenants and agrees that so long as any Lender has a Commitment hereunder or any Obligation remains outstanding:

Section 7.1. Indebtedness and Preferred Equity. Holdings and the Borrower will not, and will not permit any of their respective Subsidiaries to, create, incur, assume or suffer to exist any Indebtedness, except:

(a) Indebtedness created pursuant to the Loan Documents;

(b) Indebtedness of the Borrower and its Subsidiaries existing on the date hereof and set forth on Schedule 7.1 and extensions, renewals and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof (immediately prior to giving effect to such extension, renewal or replacement) or shorten the maturity or the weighted average life thereof;

(c) Indebtedness of the Borrower or any of its Subsidiaries incurred to finance the acquisition, construction or improvement of any fixed or capital assets of the Borrower or any of its Subsidiaries, including Capital Lease Obligations, and any Indebtedness assumed in connection with the acquisition of any such assets or secured by a Lien on any such assets prior to the acquisition thereof (provided that such Indebtedness is incurred prior to or within 90 days after such acquisition or the completion of such construction or improvements), and extensions, renewals or replacements of any such Indebtedness that do not increase the outstanding principal amount thereof (immediately prior to giving effect to such extension, renewal or replacement) or shorten the maturity or the weighted average life thereof; provided that the aggregate principal amount of such Indebtedness does not exceed $2,500,000 at any time outstanding;

(d) Indebtedness of the Borrower owing to any of its Subsidiary and of any Subsidiary of the Borrower owing to the Borrower or any other Subsidiary of the Borrower; provided that any such Indebtedness that is owed by a Subsidiary of the Borrower that is not a Subsidiary Loan Party shall be subject to Section 7.4;

(e) Guarantees by the Borrower of Indebtedness of any Subsidiary of the Borrower and by any Subsidiary of the Borrower of Indebtedness of the Borrower or any other Subsidiary of the Borrower; provided that Guarantees by any Borrower Loan Party of Indebtedness of any Subsidiary of the Borrower that is not a Subsidiary Loan Party shall be subject to Section 7.4;

(f) Indebtedness of any Person which becomes a Subsidiary of the Borrower after the Closing Date and extensions, renewals and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof (immediately prior to giving effect to such extension, renewal or replacement); provided that (i) such Indebtedness exists at the time that such Person becomes a Subsidiary of the Borrower and is not created in contemplation of or in connection with such Person becoming a Subsidiary of the Borrower, and (ii) the aggregate principal amount of such Indebtedness permitted hereunder shall not exceed $5,000,000 at any time outstanding;

(g) Hedging Obligations permitted by Section 7.10;

(h) Indebtedness of the Borrower or any of its Subsidiaries owed to any Person providing workers' compensation, health, disability or other employee benefits or property, casualty or liability insurance pursuant to reimbursement or indemnification obligations to such Person, in each case incurred in the ordinary course of business;

(i) Indebtedness of the Borrower or any of its Subsidiaries in respect of performance bonds, bid bonds, appeal bonds, custom broker bonds, surety bonds, and similar obligations, in each case incurred in the ordinary course of business;

(j) Indebtedness of the Borrower or any of its Subsidiaries under performance guarantees issued in respect of obligations of the Borrower or any of its Subsidiaries under any customer contract entered into in the ordinary course of business and consistent with past practice;

(k) Indebtedness of the Borrower or any of its Subsidiaries arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn by the Borrower or such Subsidiary against insufficient funds in the ordinary course of business; provided that such Indebtedness is promptly covered by the Borrower or such Subsidiary;

(l) Indebtedness of the Borrower or any of its Subsidiaries that arises pursuant to customary provisions in acquisition agreements relating to indemnities, earn-outs, payments under non-compete agreements, purchase price adjustments or similar adjustments in connection with Permitted Acquisitions or dispositions of assets permitted hereunder; provided that any such Indebtedness in connection with a Permitted Acquisition shall be subject to the limitation on consideration in clause (i) of the definition of "Permitted Acquisition"; and provided, further, that the terms and conditions of any such Indebtedness are satisfactory to the Administrative Agent (which terms and conditions may include, without limitation, a default blocker and a requirement that any such Indebtedness be subordinated to the Obligations on terms acceptable to the Administrative Agent);

(m) Indebtedness of the Borrower or any of its Subsidiaries arising under insurance premium financing arrangements entered into in the ordinary course of business;

(n) to the extent considered Indebtedness, obligations of the Borrower or any of its Subsidiaries under customary and reasonable incentive, non-compete, consulting, deferred compensation or other similar arrangements, in each case incurred in the ordinary course of business or in connection with a Permitted Acquisition;

(o) to the extent considered Indebtedness, funds of any other Person held in any fiduciary account by the Borrower or any of its Subsidiaries;

(p) earn-out obligations of the Borrower arising pursuant to the Spark Merger Agreement (as defined in the Closing Date Acquisition Agreement) as in effect on the Closing Date, but only to the extent that such earn-out obligations are a valid obligation of the Parent pursuant to the terms of the Closing Date Acquisition Agreement and, upon such obligation becoming due, such obligation is paid by the Parent in accordance with the Closing Date Acquisition Agreement); and

(q) other unsecured Indebtedness of the Borrower or its Subsidiaries (but excluding all or any portion of the Holdback Payment and the Deferred Consideration Payoff Amount) in an aggregate principal amount not to exceed $5,000,000 at any time outstanding; provided that, both at the time of and immediately after giving effect to the incurrence thereof, no Default or Event of Default shall have occurred and be continuing or result therefrom.

Holdings will not, and will not permit any Subsidiary to, issue any preferred stock or other preferred equity interest that (i) matures or is mandatorily redeemable pursuant to a sinking fund obligation or otherwise, (ii) is or may become redeemable or repurchaseable by the Borrower or such Subsidiary at the option of the holder thereof, in whole or in part, or (iii) is convertible or exchangeable at the option of the holder thereof for Indebtedness or preferred stock or any other preferred equity interest described in this paragraph, on or prior to, in the case of clause (i), (ii) or (iii), the first anniversary of the Revolving Commitment Termination Date.

Section 7.2. Liens. Holdings and the Borrower will not, and will not permit any of their respective Subsidiaries to, create, incur, assume or suffer to exist any Lien on any of its assets or property now owned or hereafter acquired, except:

(a) Liens securing the Obligations; provided that no Liens may secure Hedging Obligations or Bank Product Obligations without securing all other Obligations on a basis at least *pari passu* with such Hedging Obligations or Bank Product Obligations and subject to the priority of payments set forth in Section 2.21 and Section 8.2;

(b) Permitted Encumbrances;

(c) Liens on any property or asset of the Borrower or any of its Subsidiaries existing on the Closing Date and set forth on Schedule 7.2; provided that such Liens shall not apply to any other property or asset of the Borrower or any such Subsidiary;

(d) purchase money Liens upon or in any fixed or capital assets of the Borrower or its Subsidiaries to secure the purchase price or the cost of construction or improvement of such fixed or capital assets or to secure Indebtedness incurred solely for the purpose of financing the acquisition, construction or improvement of such fixed or capital assets (including Liens securing any Capital Lease Obligations); provided that (i) such Lien secures Indebtedness permitted by Section 7.1(c), (ii) such Lien attaches to such asset concurrently or within 90 days after the acquisition or the completion of the construction or improvements thereof, (iii) such Lien does not extend to any other asset, and (iv) the Indebtedness secured thereby does not exceed the cost of acquiring, constructing or improving such fixed or capital assets;

(e) any Lien (x) existing on any asset of any Person at the time such Person becomes a Subsidiary of the Borrower, (y) existing on any asset of any Person at the time such Person is merged with or into the Borrower or any of its Subsidiaries, or (z) existing on any asset prior to the acquisition thereof by the Borrower or any of its Subsidiaries; provided that (i) any such Lien was not created in the contemplation of any of the foregoing and (ii) any such Lien secures only those obligations which it secures on the date that such Person becomes a Subsidiary or the date of such merger or the date of such acquisition;

(f) judgment Liens securing judgments for the payment of money that do not constitute an Event of Default;

(g) Liens on cash earnest money deposits made by the Borrower or any of its Subsidiaries in connection with any Permitted Acquisition;

(h) leases, subleases, licenses or sublicenses granted by the Borrower or its Subsidiaries to others in the ordinary course of business and not interfering in any material respect with the business of the Borrower or any of its Subsidiaries;

(i) (i) any interest of title of a lessor under, and Liens arising from precautionary Uniform Commercial Code financing statement filings relating to, leases permitted by this Agreement and (ii) any interest of an owner of equipment or inventory on loan or consignment to the Borrower or any of its Subsidiaries;

(j) options, put and call arrangements, rights of first refusal and similar arrangements for the sale of goods entered into by the Borrower or any of its Subsidiaries in the ordinary course of business;

(k) Liens on insurance policies and the proceeds thereof securing the financing of premiums with respect thereto;

(l) Liens that are contractual rights of set-off relating to purchase orders and other similar contracts entered into by the Borrower or any of its Subsidiaries in the ordinary course of business;

(m) extensions, renewals, or replacements of any Lien referred to in subsections (b) through (e) of this Section; provided that the principal amount of the Indebtedness secured thereby is not increased and that any such extension, renewal or replacement is limited to the assets originally encumbered thereby.

Section 7.3. Fundamental Changes.

(a) Holdings will not, and will not permit any of its Subsidiaries to, merge into or consolidate into any other Person, or permit any other Person to merge into or consolidate with it, or sell, lease, transfer or otherwise dispose of (in a single transaction or a series of transactions) all or substantially all of its assets (in each case, whether now owned or hereafter acquired) or all or substantially all of the stock of any of its Subsidiaries (in each case, whether now owned or hereafter acquired) or liquidate or dissolve; provided that if, at the time thereof and immediately after giving effect thereto, no Default or Event of Default shall have occurred and be continuing, (i) the Borrower or any Subsidiary may merge with a Person (other than Holdings) if the Borrower (or such Subsidiary if the Borrower is not a party to such merger) is the surviving Person, (ii) any Subsidiary of the Borrower may merge into another Subsidiary of the Borrower, provided that if any party to such merger is a Subsidiary Loan Party, the Subsidiary Loan Party shall be the surviving Person, (iii) any Subsidiary of the Borrower may sell, transfer, lease or otherwise dispose of all or substantially all of its assets to the Borrower or to a Subsidiary Loan Party, (iv) any Subsidiary of the Borrower (other than a Subsidiary Loan Party) may liquidate or dissolve if the Borrower determines in good faith that such liquidation or dissolution is in the best interests of the Borrower and is not materially disadvantageous to the Lenders and (v) the Closing Date Merger shall be permitted; provided, further, that any such merger involving a Person that is not a wholly owned Subsidiary of the Borrower immediately prior to such merger shall not be permitted unless also permitted by Section 7.4.

(b) The Borrower will not, and will not permit any of its Subsidiaries to, engage in any business other than businesses of the type conducted by the Borrower and its Subsidiaries on the date hereof and businesses reasonably related thereto.

Section 7.4. Investments, Loans. Holdings will not, and will not permit any of its Subsidiaries to, purchase, hold or acquire (including pursuant to any merger with any Person that was not a wholly owned Subsidiary prior to such merger) any Capital Stock, evidence of Indebtedness or other securities (including any option, warrant, or other right to acquire any of the foregoing) of, make or permit to exist any loans or advances to, Guarantee any obligations of, or make or permit to exist any investment or any other interest in, any other Person, or purchase or otherwise acquire (in one transaction or a series of transactions) all or substantially all of the assets of a Person, or any assets of any other Person that constitute a business unit or division of any other Person, or create or form any Subsidiary (all of the foregoing being collectively called "Investments"), except:

(a) Investments (other than Permitted Investments) existing on the Closing Date and set forth on Schedule 7.4 (including Investments in Subsidiaries of the Borrower)(but, for the avoidance of doubt, such Investments may not be increased unless otherwise permitted pursuant to this Section 7.4);

(b) Permitted Investments;

(c) Guarantees by the Borrower and its Subsidiaries constituting Indebtedness permitted by Section 7.1; provided that the aggregate principal amount of Indebtedness of Subsidiaries of the Borrower that are not Subsidiary Loan Parties that is Guaranteed by any Loan Party shall be subject to the limitation set forth in subsection (d) of this Section;

(d) Investments made by the Borrower in or to any Subsidiary of the Borrower and by any Subsidiary of the Borrower to the Borrower or in or to another Subsidiary of the Borrower; provided that the aggregate amount of Investments by the Borrower Loan Parties in or to, and Guarantees by the Borrower Loan Parties of Indebtedness of, any Subsidiary of the Borrower that is not a Subsidiary Loan Party (including all such Investments and Guarantees existing on the Closing Date) shall not exceed $2,000,000 at any time outstanding;

(e) loans or advances to employees, officers or directors of the Borrower or any of its Subsidiaries in the ordinary course of business for travel, relocation and related expenses; provided that the aggregate amount of all such loans and advances does not exceed $500,000 at any time outstanding;

(f) Hedging Transactions permitted by Section 7.10;

(g) the Closing Date Acquisition;

(h) Permitted Acquisitions;

(i) Investments (including debt obligations) received by the Borrower or its Subsidiaries in connection with the bankruptcy or reorganization of customers or suppliers and in settlement of delinquent obligations of, and other disputes with, customers or suppliers arising in the ordinary course of the Borrower's business;

(j) Investments consisting of notes receivable of, or prepaid royalties and other credit extensions, to customers and suppliers of the Borrower or its Subsidiaries who are not Affiliates, in the ordinary course of business;

(k) Investments arising directly out of the receipt by the Borrower or any of its Subsidiaries of non-cash consideration from any sales of assets permitted pursuant to Section 7.6;

(l) Joint ventures or strategic alliances between the Borrower or its Subsidiaries, on the one hand, and a Person who is not an Affiliate of the Borrower, on the other hand, in the ordinary course of the Borrower's business consisting of the non-exclusive licensing of technology, the development of technology or the providing of technical support, provided that any cash Investments by the Borrower Loan Parties do not exceed $750,000 in the aggregate in any Fiscal Year;

(m) Investments by the Borrower or its Subsidiaries constituting deposits made in connection with the purchase of goods or services in the ordinary course of business; and

(n) other Investments of the Borrower or its Subsidiaries not described above provided that both at the time of and immediately after giving effect to any such Investment (i) no Default or Event of Default shall have occurred and be continuing or shall result from the making of such Investment and (ii) the aggregate amount of all such Investments under this clause (m) shall not exceed $250,000 at any time outstanding.

For purposes of determining the amount of any Investment outstanding for purposes of this Section 7.4, such amount shall be deemed to be the amount of such Investment when made, purchased or acquired less any amount realized in respect of such Investment upon the sale, collection or return of capital (not to exceed the original amount invested).

Section 7.5. Restricted Payments. Holdings will not, and will not permit any of its Subsidiaries to, declare or make, or agree to pay or make, directly or indirectly, any Restricted Payment, except:

(i) dividends payable by Holdings solely in interests of any class of its common stock; and

(ii) dividends or distributions made by any Subsidiary of the Borrower to the Borrower or to another Subsidiary of the Borrower, on at least a *pro rata* basis with any other shareholders if such Subsidiary is not wholly owned by the Borrower and other wholly owned Subsidiaries of the Borrower;

(iii) cash dividends or distributions paid on the common equity of the Borrower; provided that (x) no Default or Event of Default shall have occurred and be continuing at the time such cash dividend or distribution is paid or would result therefrom, (y) after giving pro forma effect to any such dividend or distribution, the Total Leverage Ratio of Borrower and its Subsidiaries shall not exceed the lesser of (i) the Total Leverage Ratio required under Section 6.1 as of the most recently ended Fiscal Quarter for which financial statements are required to have been delivered minus 0.25 to 1.00 and (ii) the Total Leverage Ratio of the Borrower and the Subsidiaries on the Closing Date and (z) the aggregate amount of cash dividends or distributions paid pursuant to this clause (iii) shall not exceed $500,000 in any Fiscal Year (it being agreed that any amount permitted to be paid by the Borrower to Holdings pursuant to this clause (iii) may be concurrently paid by Holdings to the holders of its Capital Stock in a like amount in the form of a cash dividend or distribution by Holdings to such holder or holders); and

(iv) cash dividends or distributions paid on the common equity of the Borrower in an amount not to exceed the net cash proceeds of any Excluded Equity Contribution, so long as (A) such cash dividends or distributions are made within 365 days after such Excluded Equity Contribution is made, (B) no Default or Event of Default shall have occurred and be continuing or would result therefrom, (C) such cash dividends or distributions are designated as made with the proceeds of an Excluded Equity Contribution in a certificate to the Administrative Agent from a Responsible Officer of the Borrower on the date incurred (and such certificate shall include a representation from such Responsible Officer that sub-clauses (A), (B) and (D) under this clause (iv) are true and correct) and (D) immediately after giving effect to such cash dividends or distributions, the sum of (1) (x) the Aggregate Revolving Commitment Amount (if any) minus (y) the aggregate principal amount of all Revolving Credit Exposure (if any), plus (2) cash on hand (that is either unencumbered or in Controlled Accounts) of the Loan Parties is at least $7,500,000.

Section 7.6. Sale of Assets. Holdings will not, and will not permit any of its Subsidiaries to, convey, sell, lease, assign, transfer or otherwise dispose of any of its assets, business or property, whether now owned or hereafter acquired, or, in the case of any Subsidiary, any shares of such Subsidiary's Capital Stock, in each case whether now owned or hereafter acquired, to any Person other than the Borrower or a Subsidiary Loan Party (or to qualify directors if required by applicable law), except:

(a) the sale or other disposition for Fair Market Value of obsolete or worn out property or other property not necessary for operations disposed of in the ordinary course of business;

(b) the sale of inventory and Permitted Investments in the ordinary course of business;

(c) sales permitted pursuant to Section 7.3; and

(d) so long as no Default or Event of Default has occurred and is continuing at the time of each such sale or disposition, the sale or other disposition of such assets for cash or cash equivalents in an aggregate amount (based on the Fair Market Value of such assets) not to exceed $2,500,000 in any Fiscal Year.

Section 7.7. Transactions with Affiliates. Holdings will not, and will not permit any of its Subsidiaries to, sell, lease or otherwise transfer any property or assets to, or purchase, lease or otherwise acquire any property or assets from, or otherwise engage in any other transactions with, any of its Affiliates, except:

(a) in the ordinary course of business at prices and on terms and conditions not less favorable to the Borrower or such Subsidiary than could be obtained on an arm's-length basis from unrelated third parties;

(b) [reserved];

(c) transactions between or among the Borrower and any Subsidiary Loan Party not involving any other Affiliates;

(d) any Restricted Payment permitted by Section 7.5;

(e) any Indebtedness permitted by Sections 7.1(d) or (e) and any Guarantee of such Indebtedness permitted by Section 7.4(c) (so long as any Indebtedness is on terms and conditions not less favorable than could be obtained on an arm's-length basis from unrelated third parties); and

(f) any Investment permitted by Sections 7.4(d) or (m) (so long as, in the case of Section 7.4(m), such Investment is on terms and conditions not less favorable than could be obtained on an arm's-length basis from unrelated third parties).

Section 7.8. Restrictive Agreements. Holdings will not, and will not permit any of its Subsidiaries to, directly or indirectly, enter into, incur or permit to exist any agreement that prohibits, restricts or imposes any condition upon (a) the ability of Holdings or any of its Subsidiaries to create, incur or permit any Lien upon any of its assets or properties, whether now owned or hereafter acquired, or (b) the ability of any of Holdings' Subsidiaries to pay dividends or other distributions with respect to its Capital Stock, to make or repay loans or advances to Holdings or any Subsidiary thereof, to Guarantee Indebtedness of the Borrower or any Subsidiary thereof or to transfer any of its property or assets to Holdings or any Subsidiary thereof; provided that (i) the foregoing shall not apply to restrictions or conditions imposed by law (including, without limitation, any restrictions placed on a regulated entity or a Foreign Subsidiary by any Governmental Authority) or by this Agreement or any other Loan Document, (ii) the foregoing shall not apply to customary restrictions and conditions contained in agreements relating to the sale of a Subsidiary pending such sale, provided such restrictions and conditions apply only to the Subsidiary that is sold and such sale is permitted hereunder, (iii) clause (a) shall not apply to restrictions or conditions imposed by any agreement relating to secured Indebtedness permitted by this Agreement if such restrictions and conditions apply only to the property or assets securing such Indebtedness, (iv) clause (a) shall not apply to customary provisions in leases, licenses or other contracts restricting the assignment thereof and (v) clause (a) shall not apply to restrictions or conditions imposed by any agreement creating a Permitted Encumbrance if such restrictions or conditions apply only to the property or assets subject to such Permitted Encumbrance.

Section 7.9. Sale and Leaseback Transactions. Holdings will not, and will not permit any of its Subsidiaries to, enter into any arrangement, directly or indirectly, whereby it shall sell or transfer any property, real or personal, used or useful in its business, whether now owned or hereinafter acquired, and thereafter rent or lease such property or other property that it intends to use for substantially the same purpose or purposes as the property sold or transferred.

Section 7.10. Hedging Transactions. Holdings will not, and will not permit any of its Subsidiaries to, enter into any Hedging Transaction, other than (a) Hedging Transactions required by Section 5.15 and (b) Hedging Transactions entered into in the ordinary course of business to hedge or mitigate risks to which the Borrower or any of its Subsidiaries is exposed in the conduct of its business or the management of its liabilities. Solely for the avoidance of doubt, Holdings acknowledges that a Hedging Transaction entered into for speculative purposes or of a speculative nature (which shall be deemed to include any Hedging Transaction under which Holdings or any of its Subsidiaries is or may become obliged to make any payment (i) in connection with the purchase by any third party of any Capital Stock or any Indebtedness or (ii) as a result of changes in the market value of any Capital Stock or any Indebtedness) is not a Hedging Transaction entered into in the ordinary course of business to hedge or mitigate risks.

Section 7.11. Amendment to Material Documents. Holdings will not, and will not permit any of its Subsidiaries to, amend, modify, change or waive any of its rights under (a) its certificate of incorporation, bylaws or other organizational documents, or (b) any Material Agreements, except, in the case of the foregoing clauses (a) and (b), in any manner that could not reasonably be expected to have an adverse effect on the Lenders, the Administrative Agent, Holdings or any of its Subsidiaries.

Section 7.12. Accounting Changes. The Borrower will not, and will not permit any of its Subsidiaries to, make any significant change in accounting treatment or reporting practices, except as required by GAAP, or change the fiscal year of the Borrower or of any of its Subsidiaries, except to change the fiscal year of a Subsidiary to conform its fiscal year to that of the Borrower.

Section 7.13. Government Regulation. Holdings will not, and will not permit any of its Subsidiaries to, (a) be or become subject at any time to any law, regulation or list of any Governmental Authority of the United States (including, without limitation, the OFAC list) that prohibits or limits the Lenders or the Administrative Agent from making any advance or extension of credit to the Borrower or from otherwise conducting business with the Loan Parties, or (b) fail to provide documentary and other evidence of the identity of the Loan Parties as may be requested by the Lenders or the Administrative Agent at any time to enable the Lenders or the Administrative Agent to verify the identity of the Loan Parties or to comply with any applicable law or regulation, including, without limitation, Section 326 of the Patriot Act.

Section 7.14. Cash Held in Foreign Jurisdictions. Holdings will not, and will not permit any of its Subsidiaries to, maintain any cash or cash equivalents in deposit or other investments accounts outside of the United States of America in excess of $2,500,000 in the aggregate at any time.

Section 7.15. Limited Activities of Holdings. Holdings will not, in addition to the other covenants set forth in this Agreement and the other Loan Documents, directly or indirectly: (a) incur, directly or indirectly, any Indebtedness or any other obligation or liability whatsoever other than obligations and liabilities imposed by law, including tax liabilities, and other liabilities incidental to the maintenance of its existence; (b) create or suffer to exist any Lien upon any of its assets or properties now owned or hereafter acquired other than the Liens created under the Collateral Documents to secure the Obligations and Liens for taxes or governmental charges (to the extent such Liens are Permitted Liens); (c) conduct, transact or otherwise engage, or commit to conduct, transact or otherwise engage in any business or operations, or own, lease, manage or otherwise operate any properties or assets other than (i) holding 100% of the Capital Stock of the Borrower, (ii) performing its obligations under the Loan Documents, (iii) holding directors' and members' meetings, preparing corporate or similar records and other activities required to maintain its separate corporate or other legal structure; and (iv) any activity incidental to any of the foregoing; (d) consolidate with or merge with or into, or convey, transfer, lease or license all or substantially all its assets to, any Person; (e) sell or otherwise dispose of any Capital Stock of the Borrower; and (f) fail to hold itself out to the public as a legal entity separate and distinct from all other Persons.

ARTICLE VIII

EVENTS OF DEFAULT

Section 8.1. Events of Default. If any of the following events (each, an "Event of Default") shall occur:

(a) the Borrower shall fail to pay any principal of any Loan or of any reimbursement obligation in respect of any LC Disbursement, when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment or otherwise; or

(b) the Borrower shall fail to pay any interest on any Loan or any fee or any other amount (other than an amount payable under subsection (a) of this Section or an amount related to a Bank Product Obligation) payable under this Agreement or any other Loan Document, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of three (3) Business Days; or

(c) any representation or warranty made or deemed made by or on behalf of the Parent, Holdings or any of its Subsidiaries in or in connection with this Agreement or any other Loan Document (including the Schedules attached hereto and thereto), or in any amendments or modifications hereof or waivers hereunder, or in any certificate, report, financial statement or other document submitted to the Administrative Agent or the Lenders by the Parent, any Loan Party or any representative of the Parent or any Loan Party pursuant to or in connection with this Agreement or any other Loan Document shall prove to be incorrect in any material respect (other than any representation or warranty that is expressly qualified by a Material Adverse Effect or other materiality, in which case such representation or warranty shall prove to be incorrect in any respect) when made or deemed made or submitted; or

(d) the Borrower or Holdings shall fail to observe or perform any covenant or agreement contained in Section 5.1, 5.2, 5.3 (solely with respect to the Borrower's legal existence), 5.9 or 5.19 or Article VI or VII; or

(e) the Parent or any Loan Party shall fail to observe or perform any covenant or agreement contained in this Agreement (other than those referred to in subsections (a), (b) and (d) of this Section) or any other Loan Document or related to any Bank Product Obligation, and such failure shall remain unremedied for thirty (30) days after the earlier of (i) any Responsible Officer of the Borrower or Holdings (or any officer of the Parent, in the case of the Parent) becomes aware of such failure, or (ii) notice thereof shall have been given to the Parent, the Borrower or Holdings by the Administrative Agent or any Lender; or

(f) [reserved]; or

(g) (i) Holdings or any of its Subsidiaries (whether as primary obligor or as guarantor or other surety) shall fail to pay any principal of, or premium or interest on, any Material Indebtedness (other than any Hedging Obligation) that is outstanding, when and as the same shall become due and payable (whether at scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument evidencing or governing such Indebtedness; or any other event shall occur or condition shall exist under any agreement or instrument relating to any Material Indebtedness and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate, or permit the acceleration of, the maturity of such Indebtedness; or any Material Indebtedness shall be declared to be due and payable, or required to be prepaid or redeemed (other than by a regularly scheduled required prepayment or redemption), purchased or defeased, or any offer to prepay, redeem, purchase or defease such Indebtedness shall be required to be made, in each case prior to the stated maturity thereof or (ii) there occurs under any Hedging Transaction an Early Termination Date (as defined in such Hedging Transaction) resulting from (A) any event of default under such Hedging Transaction as to which Holdings or any of its Subsidiaries is the Defaulting Party (as defined in such Hedging Transaction) and the Hedge Termination Value owed by Holdings or such Subsidiary as a result thereof is greater than the Threshold Amount or (B) any Termination Event (as so defined) under such Hedging Transaction as to which Holdings or any Subsidiary is an Affected Party (as so defined) and the Hedge Termination Value owed by Holdings or such Subsidiary as a result thereof is greater than the Threshold Amount and is not paid; or

(h) Holdings or any of its Subsidiaries shall (i) commence a voluntary case or other proceeding or file any petition seeking liquidation, reorganization or other relief under any federal, state or foreign bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a custodian, trustee, receiver, liquidator or other similar official of it or any substantial part of its property, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in subsection (i) of this Section, (iii) apply for or consent to the appointment of a custodian, trustee, receiver, liquidator or other similar official for Holdings or any such Subsidiary or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, or (vi) take any action for the purpose of effecting any of the foregoing; or

(i) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of Holdings or any of its Subsidiaries or its debts, or any substantial part of its assets, under any federal, state or foreign bankruptcy, insolvency or other similar law now or hereafter in effect or (ii) the appointment of a custodian, trustee, receiver, liquidator or other similar official for Holdings or any of its Subsidiaries or for a substantial part of its assets, and in any such case, such proceeding or petition shall remain undismissed for a period of sixty (60) days or an order or decree approving or ordering any of the foregoing shall be entered; or

(j) Holdings or any of its Subsidiaries shall become unable to pay, shall admit in writing its inability to pay, or shall fail to pay, its debts as they become due; or

(k) (i) an ERISA Event shall have occurred that, in the opinion of the Required Lenders, when taken together with other ERISA Events that have occurred, could reasonably be expected to result in liability to Holdings and its Subsidiaries in an aggregate amount exceeding $1,000,000, (ii) there is or arises an Unfunded Pension Liability (not taking into account Plans with negative Unfunded Pension Liability) in an aggregate amount exceeding $1,000,000, or (iii) there is or arises any potential Withdrawal Liability in an aggregate amount exceeding $1,000,000; or

(l) any judgment or order for the payment of money in excess of $1,000,000 in the aggregate shall be rendered against Holdings or any of its Subsidiaries, and either (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or order or (ii) there shall be a period of 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(m) any non-monetary judgment or order shall be rendered against Holdings or any of its Subsidiaries that could reasonably be expected, either individually or in the aggregate, to have a Material Adverse Effect, and there shall be a period of thirty (30) consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(n) a Change in Control shall occur or exist; or

(o) any provision of this Agreement or any of the other Loan Documents shall for any reason cease to be valid and binding on, or enforceable against, any Loan Party (or the Parent, in the case of the Pledge Agreement), or any Loan Party or the Parent shall so state in writing, or any Loan Party or the Parent shall seek to terminate its obligation under the Guaranty and Security Agreement or any other Collateral Document (other than the release of any guaranty or collateral to the extent permitted pursuant to Section 9.11); or

(p) the Borrower or any of its Subsidiaries shall be enjoined, restrained or in any way prevented by the order of any Governmental Authority from conducting any material part of the business of the Borrower and its Subsidiaries and such order shall continue in effect for more than sixty (60) days if such event or circumstance is not covered by business interruption insurance and would have a Material Adverse Effect; or

(q) Holdings or any of its Subsidiaries shall make any payment on or in respect of (i) any earn-out obligations arising pursuant to the "Spark Merger Agreement", including any "Spark Earn-out Payment", (ii) the "Holdback Payment" and/or (iii) the "Deferred Consideration Payoff Amount" (as each such term is defined in the Closing Date Acquisition Agreement); or

(r) any Lien purported to be created under any Collateral Document shall fail or cease to be, or shall be asserted by any Loan Party not to be, a valid and perfected Lien on any Collateral, with the priority required by the applicable Collateral Documents;

then, and in every such event (other than an event with respect to Holdings and its Subsidiaries described in subsection (h) or (j) of this Section) and at any time thereafter during the continuance of such event, the Administrative Agent may, and upon the written request of the Required Lenders shall, by notice to the Borrower, take any or all of the following actions, at the same or different times: (i) terminate the Commitments, whereupon the Commitment of each Lender shall terminate immediately, (ii) declare the principal of and any accrued interest on the Loans, and all other Obligations owing hereunder, to be, whereupon the same shall become, due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower, (iii) exercise all remedies contained in any other Loan Document, and (iv) exercise any other remedies available at law or in equity; provided that, if an Event of Default specified in either subsection (h) or (j) shall occur, the Commitments shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon, and all fees and all other Obligations shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower.

Section 8.2. Application of Proceeds from Collateral. All proceeds from each sale of, or other realization upon, all or any part of the Collateral by any Secured Party after an Event of Default arises shall be applied as follows:

(a) first, to the reimbursable expenses of the Administrative Agent incurred in connection with such sale or other realization upon the Collateral, until the same shall have been paid in full;

(b) second, to the fees and other reimbursable expenses of the Administrative Agent, the Swingline Lender and the Issuing Bank then due and payable pursuant to any of the Loan Documents, until the same shall have been paid in full;

(c) third, to all reimbursable expenses, if any, of the Lenders then due and payable pursuant to any of the Loan Documents, until the same shall have been paid in full;

(d) fourth, to the fees and interest then due and payable under the terms of this Agreement, until the same shall have been paid in full;

(e) fifth, to the aggregate outstanding principal amount of the Loans, the LC Exposure, any amounts owing in respect of the Bank Product Obligations and any amounts owing in respect of the Hedging Obligations that constitute Obligations, until the same shall have been paid in full, allocated *pro rata* among the Secured Parties based on their respective *pro rata* shares of the aggregate amount of such Loans, LC Exposure and Bank Product Obligations and amounts owing in respect of any such Hedging Obligations;

(f) sixth, to additional cash collateral for the aggregate amount of all outstanding Letters of Credit until the aggregate amount of all cash collateral held by the Administrative Agent pursuant to this Agreement is at least 103% of the LC Exposure after giving effect to the foregoing clause fifth; and

(g) seventh, to the extent any proceeds remain, to the Borrower or as otherwise provided by a court of competent jurisdiction.

All amounts allocated pursuant to the foregoing clauses third through fifth to the Lenders as a result of amounts owed to the Lenders under the Loan Documents shall be allocated among, and distributed to, the Lenders *pro rata* based on their respective Pro Rata Shares; provided that all amounts allocated to that portion of the LC Exposure comprised of the aggregate undrawn amount of all outstanding Letters of Credit pursuant to clauses fifth and sixth shall be distributed to the Administrative Agent, rather than to the Lenders, and held by the Administrative Agent in an account in the name of the Administrative Agent for the benefit of the Issuing Bank and the Lenders as cash collateral for the LC Exposure, such account to be administered in accordance with Section 2.22(g). All cash collateral for LC Exposure shall be applied to satisfy drawings under the Letters of Credit as they occur; if any amount remains on deposit on cash collateral after all letters of credit have either been fully drawn or expired, such remaining amount shall be applied to other Obligations, if any, in the order set forth above.

Notwithstanding the foregoing, (a) no amount received from any Guarantor (including any proceeds of any sale of, or other realization upon, all or any part of the Collateral owned by such Guarantor) shall be applied to any Excluded Swap Obligation of such Guarantor and (b) Bank Product Obligations and Hedging Obligations shall be excluded from the application described above if the Administrative Agent has not received written notice thereof, together with such supporting documentation as the Administrative Agent may request, from the Bank Product Provider or the Lender-Related Hedge Provider, as the case may be. Each Bank Product Provider or Lender-Related Hedge Provider that has given the notice contemplated by the preceding sentence shall, by such notice, be deemed to have acknowledged and accepted the appointment of the Administrative Agent pursuant to the terms of Article IX for itself and its Affiliates as if a "Lender" party hereto.

Section 8.3. Right to Cure.

(a) Notwithstanding anything to the contrary contained in Section 8.1(d), in the event that the Borrower fails to comply with either (or both) the financial covenants set forth in Article VI, then on or prior to the day that is ten (10) Business Day after the date on which financial statements are required to be delivered for the Fiscal Quarter in which the financial covenants are being measured (the "Cure Period"), Holdings shall have the right to make a common equity contribution in cash to the Borrower (the "Cure Right"), and upon the receipt by the Borrower of such cash proceeds pursuant to the exercise of the Cure Right (the "Specified Equity Contribution"), the applicable financial covenant set forth in Article VI shall be recalculated, giving effect to a pro forma increase to Consolidated EBITDA for the relevant Fiscal Quarter in respect of which such Cure Right was exercised in an amount equal to such cash proceeds; provided that such pro forma adjustment to Consolidated EBITDA shall be given solely for the purpose of determining the existence of an Event of Default under the financial covenants set forth in Article VI with respect to any test period that includes the Fiscal Quarter for which such Cure Right was exercised and not for any other purpose under any Loan Document.

(b) If, after the exercise of the Cure Right and the recalculations pursuant to clause (a) above, the Borrower shall then be in compliance with the financial covenants set forth in Article VI during such test period (including for purposes of Section 3.2), the Borrower shall be deemed to have satisfied the requirements of such financial covenant as of the relevant date of determination with the same effect as though there had been no failure to comply therewith at such date, and the applicable Event of Default under Section 8.1 that had occurred shall be deemed cured. The exercise of the Cure Right shall be subject to the following limitations and requirements: (i) in each four-Fiscal Quarter period, there shall be at least three (3) Fiscal Quarters in which the Cure Right is not exercised, (ii) there shall be no more than four (4) Specified Equity Contributions during the term of this Agreement, (iii) with respect to any exercise of the Cure Right, the Specified Equity Contribution shall be no greater than the amount required to cause the Borrower to be in compliance with financial covenants set forth in Article VI (the "Cure Amount"), (iv) all Specified Equity Contributions will be disregarded for all purposes under this Loan Documents (other than for determining compliance with financial covenants set forth in Article VI) including for the purpose determining the availability of any carve-outs with respect to the covenants contained in Article VII, (v) the Specified Equity Contribution shall be applied to the prepayment of the Term Loans in accordance with Section 2.12, (vi) notwithstanding clause (v) immediately above, any Loans prepaid with any Specified Equity Contribution shall be deemed outstanding for purposes of determining compliance with such financial covenants for the then current Fiscal Quarter, and no Specified Equity Contribution will reduce (or count towards) the Total Leverage Ratio for purposes of any calculation thereof for the Fiscal Quarter with respect to which such Cure Right was exercised and (vii) with respect to the exercise of any Cure Right, the proposed Specified Equity Contribution shall not exceed 15% of Consolidated EBITDA for the four (4) Fiscal Quarters most recently ended; provided that upon receipt by the Administrative Agent of written notice, on or prior to the day (the "Equity Cure Deadline") that is ten (10) Business Days after the date on which financial statements are required to be delivered pursuant to Section 5.1(b) for such Fiscal Quarter, that the Borrower intends to make an Equity Cure in respect of such Fiscal Quarter, the Lenders shall not be permitted to accelerate the Loans held by them or to exercise remedies against the Collateral on the basis of a failure to comply with the requirements of the covenants set forth in Article VI unless and until such Event of Default is not cured pursuant to an Equity Cure made on or prior to the Equity Cure Deadline and otherwise in accordance with this Section.

(c) In furtherance of Sections 8.3(a) and (b) above, (x) upon delivery of written notice to the Administrative Agent that the Borrower (or Holdings) intends to exercise the Cure Right, the Borrower shall not be permitted to obtain any Borrowing or receive the issuance of any Letters of Credit until the Specified Equity Contribution is made or all Events of Default are cured or waived in accordance with the terms hereof and (y) upon actual receipt and designation of the Cure Amount by the Borrower, the financial covenants set forth in Article VI shall be deemed retroactively cured with the same effect as though there had been no failure to comply with the financial covenants set forth in Article VI and any Event of Default or potential Event of Default under financial covenants set forth in Article VI shall be deemed not to have occurred for purposes of the Loan Documents (it being understood that if the Specified Equity Contribution is not made before the end of the Cure Period, such Event of Default or potential Event of Default shall be deemed reinstated).

ARTICLE IX

THE ADMINISTRATIVE AGENT

Section 9.1. Appointment of the Administrative Agent.

(a) Each Lender irrevocably appoints SunTrust Bank as the Administrative Agent and authorizes it to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent under this Agreement and the other Loan Documents, together with all such actions and powers that are reasonably incidental thereto. The Administrative Agent may perform any of its duties hereunder or under the other Loan Documents by or through any one or more sub-agents or attorneys-in-fact appointed by the Administrative Agent. The Administrative Agent and any such sub-agent or attorney-in-fact may perform any and all of its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions set forth in this Article shall apply to any such sub-agent, attorney-in-fact or Related Party and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as the Administrative Agent.

(b) The Issuing Bank shall act on behalf of the Lenders with respect to any Letters of Credit issued by it and the documents associated therewith until such time and except for so long as the Administrative Agent may agree at the request of the Required Lenders to act for the Issuing Bank with respect thereto; provided that the Issuing Bank shall have all the benefits and immunities (i) provided to the Administrative Agent in this Article with respect to any acts taken or omissions suffered by the Issuing Bank in connection with Letters of Credit issued by it or proposed to be issued by it and the application and agreements for letters of credit pertaining to the Letters of Credit as fully as if the term "Administrative Agent" as used in this Article included the Issuing Bank with respect to such acts or omissions and (ii) as additionally provided in this Agreement with respect to the Issuing Bank.

Section 9.2. Nature of Duties of the Administrative Agent. The Administrative Agent shall not have any duties or obligations except those expressly set forth in this Agreement and the other Loan Documents. Without limiting the generality of the foregoing, (a) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default or an Event of Default has occurred and is continuing, (b) the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except those discretionary rights and powers expressly contemplated by the Loan Documents that the Administrative Agent is required to exercise in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 10.2); provided that the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent to liability or that is contrary to any Loan Document or applicable law, including for the avoidance of doubt any action that may be in violation of the automatic stay under any Debtor Relief Law or that may effect a forfeiture, modification or termination of property of a Defaulting Lender in violation of any Debtor Relief Law; and (c) except as expressly set forth in the Loan Documents, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Subsidiaries that is communicated to or obtained by the Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall not be liable for any action taken or not taken by it, its sub-agents or its attorneys-in-fact with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 10.2) or in the absence of its own gross negligence, bad faith or willful misconduct as determined by a final, non-appealable judgment by a court of competent jurisdiction. The Administrative Agent shall not be responsible for the negligence, bad faith or misconduct of any sub-agents or attorneys-in-fact selected by it with reasonable care. The Administrative Agent shall not be deemed to have knowledge of any Default or Event of Default unless and until written notice thereof (which notice shall include an express reference to such event being a "Default" or "Event of Default" hereunder) is given to the Administrative Agent by the Borrower or any Lender, and the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with any Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements, or other terms and conditions set forth in any Loan Document, (iv) the validity, enforceability, effectiveness or genuineness of any Loan Document or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article III or elsewhere in any Loan Document, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent. The Administrative Agent may consult with legal counsel (including counsel for the Borrower) concerning all matters pertaining to such duties.

Section 9.3. Lack of Reliance on the Administrative Agent. Each of the Lenders, the Swingline Lender and the Issuing Bank acknowledges that it has, independently and without reliance upon the Administrative Agent, the Issuing Bank or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each of the Lenders, the Swingline Lender and the Issuing Bank also acknowledges that it will, independently and without reliance upon the Administrative Agent, the Issuing Bank or any other Lender and based on such documents and information as it has deemed appropriate, continue to make its own decisions in taking or not taking any action under or based on this Agreement, any related agreement or any document furnished hereunder or thereunder. Each of the Lenders acknowledges and agrees that outside legal counsel to the Administrative Agent in connection with the preparation, negotiation, execution, delivery and administration (including any amendments, waivers and consents) of this Agreement and the other Loan Documents is acting solely as counsel to the Administrative Agent and is not acting as counsel to any Lender (other than the Administrative Agent and its Affiliates) in connection with this Agreement, the other Loan Documents or any of the transactions contemplated hereby or thereby.

Section 9.4. Certain Rights of the Administrative Agent. If the Administrative Agent shall request instructions from the Required Lenders with respect to any action or actions (including the failure to act) in connection with this Agreement, the Administrative Agent shall be entitled to refrain from such act or taking such act unless and until it shall have received instructions from such Required Lenders, and the Administrative Agent shall not incur liability to any Person by reason of so refraining. Without limiting the foregoing, no Lender shall have any right of action whatsoever against the Administrative Agent as a result of the Administrative Agent acting or refraining from acting hereunder in accordance with the instructions of the Required Lenders where required by the terms of this Agreement.

Section 9.5. Reliance by the Administrative Agent. The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, posting or other distribution) believed by it to be genuine and to have been signed, sent or made by the proper Person. The Administrative Agent may also rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person and shall not incur any liability for relying thereon. The Administrative Agent may consult with legal counsel (including counsel for the Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or not taken by it in accordance with the advice of such counsel, accountants or experts.

Section 9.6. The Administrative Agent in its Individual Capacity. The bank serving as the Administrative Agent shall have the same rights and powers under this Agreement and any other Loan Document in its capacity as a Lender as any other Lender and may exercise or refrain from exercising the same as though it were not the Administrative Agent; and the terms "Lenders", "Required Lenders", "Required Revolving Lenders", or any similar terms shall, unless the context clearly otherwise indicates, include the Administrative Agent in its individual capacity. The bank acting as the Administrative Agent and its Affiliates may accept deposits from, lend money to, and generally engage in any kind of business with the Borrower or any Subsidiary or Affiliate of the Borrower as if it were not the Administrative Agent hereunder.

Section 9.7. Successor Administrative Agent.

(a) The Administrative Agent may resign at any time by giving notice thereof to the Lenders and the Borrower. Upon any such resignation, the Required Lenders shall have the right to appoint a successor Administrative Agent, subject to approval by the Borrower provided that no Default or Event of Default shall exist at such time. If no successor Administrative Agent shall have been so appointed, and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of resignation, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent which shall be a commercial bank organized under the laws of the United States or any state thereof or a bank which maintains an office in the United States.

(b) Upon the acceptance of its appointment as the Administrative Agent hereunder by a successor, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations under this Agreement and the other Loan Documents. If, within forty-five (45) days after written notice is given of the retiring Administrative Agent's resignation under this Section, no successor Administrative Agent shall have been appointed and shall have accepted such appointment, then on such forty-fifty (45th) day (i) the retiring Administrative Agent's resignation shall become effective, (ii) the retiring Administrative Agent shall thereupon be discharged from its duties and obligations under the Loan Documents and (iii) the Required Lenders shall thereafter perform all duties of the retiring Administrative Agent under the Loan Documents until such time as the Required Lenders appoint a successor Administrative Agent as provided above. After any retiring Administrative Agent's resignation hereunder, the provisions of this Article shall continue in effect for the benefit of such retiring Administrative Agent and its representatives and agents in respect of any actions taken or not taken by any of them while it was serving as the Administrative Agent.

(c) In addition to the foregoing, if a Lender becomes, and during the period it remains, a Defaulting Lender, and if any Default has arisen from a failure of the Borrower to comply with Section 2.26(b), then the Issuing Bank and the Swingline Lender may, upon prior written notice to the Borrower and the Administrative Agent, resign as Issuing Bank or as Swingline Lender, as the case may be, effective at the close of business Atlanta, Georgia time on a date specified in such notice (which date may not be less than five (5) Business Days after the date of such notice).

Section 9.8. Withholding Tax. To the extent required by any applicable law, the Administrative Agent may withhold from any interest payment to any Lender an amount equivalent to any applicable withholding Tax. If the IRS or any authority of the United States or any other jurisdiction asserts a claim that the Administrative Agent did not properly withhold Tax from amounts paid to or for the account of any Lender (because the appropriate form was not delivered or was not properly executed, or because such Lender failed to notify the Administrative Agent of a change in circumstances that rendered the exemption from, or reduction of, withholding Tax ineffective, or for any other reason), such Lender shall indemnify the Administrative Agent (to the extent that the Administrative Agent has not already been reimbursed by the Borrower and without limiting the obligation of the Borrower to do so) fully for all amounts paid, directly or indirectly, by the Administrative Agent as Tax or otherwise, including penalties and interest, together with all expenses incurred, including legal expenses, allocated staff costs and any out of pocket expenses.

Section 9.9. The Administrative Agent May File Proofs of Claim.

(a) In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to any Loan Party, the Administrative Agent (irrespective of whether the principal of any Loan or any Revolving Credit Exposure shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrower) shall be entitled and empowered, by intervention in such proceeding or otherwise:

(b) (i) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans or Revolving Credit Exposure and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders, the Issuing Bank and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders, the Issuing Bank and the Administrative Agent and its agents and counsel and all other amounts due the Lenders, the Issuing Bank and the Administrative Agent under Section 10.3) allowed in such judicial proceeding; and

(ii) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same.

(c) Any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender and the Issuing Bank to make such payments to the Administrative Agent and, if the Administrative Agent shall consent to the making of such payments directly to the Lenders and the Issuing Bank, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Section 10.3.

Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender or the Issuing Bank any plan of reorganization, arrangement, adjustment or composition affecting the Obligations or the rights of any Lender or to authorize the Administrative Agent to vote in respect of the claim of any Lender in any such proceeding.

Section 9.10. Authorization to Execute Other Loan Documents. Each Lender hereby authorizes the Administrative Agent to execute on behalf of all Lenders all Loan Documents (including, without limitation, the Collateral Documents and any subordination agreements) other than this Agreement.

Section 9.11. Collateral and Guaranty Matters. The Lenders irrevocably authorize the Administrative Agent, at its option and in its discretion:

(a) to release any Lien on any property granted to or held by the Administrative Agent under any Loan Document (i) upon the termination of all Revolving Commitments, the Cash Collateralization of all reimbursement obligations with respect to Letters of Credit in an amount equal to 103% of the aggregate LC Exposure of all Lenders, and the payment in full of all Obligations (other than contingent indemnification obligations and such Cash Collateralized reimbursement obligations), (ii) that is sold or to be sold as part of or in connection with any sale permitted hereunder or under any other Loan Document, or (iii) if approved, authorized or ratified in writing in accordance with Section 10.2; and

(b) to release any Loan Party from its obligations under the applicable Collateral Documents if such Person ceases to be a Subsidiary as a result of a transaction permitted hereunder.

Upon request by the Administrative Agent at any time, the Required Lenders will confirm in writing the Administrative Agent's authority to release its interest in particular types or items of property, or to release any Loan Party from its obligations under the applicable Collateral Documents pursuant to this Section. In each case as specified in this Section, the Administrative Agent is authorized, at the Borrower's expense, to execute and deliver to the applicable Loan Party such documents as such Loan Party may reasonably request to evidence the release of such item of Collateral from the Liens granted under the applicable Collateral Documents, or to release such Loan Party from its obligations under the applicable Collateral Documents, in each case in accordance with the terms of the Loan Documents and this Section.

Section 9.12. Syndication Agent. Each Lender hereby designates Silicon Valley Bank as Syndication Agent and agrees that the Syndication Agent shall have no duties or obligations under any Loan Documents to any Lender or any Loan Party.

Section 9.13. Right to Realize on Collateral and Enforce Guarantee. Anything contained in any of the Loan Documents to the contrary notwithstanding, the Borrower, the Administrative Agent and each Lender hereby agree that (i) no Lender shall have any right individually to realize upon any of the Collateral or to enforce the Collateral Documents, it being understood and agreed that all powers, rights and remedies hereunder and under the Collateral Documents may be exercised solely by the Administrative Agent, and (ii) in the event of a foreclosure by the Administrative Agent on any of the Collateral pursuant to a public or private sale or other disposition, the Administrative Agent or any Lender may be the purchaser or licensor of any or all of such Collateral at any such sale or other disposition and the Administrative Agent, as agent for and representative of the Lenders (but not any Lender or Lenders in its or their respective individual capacities unless the Required Lenders shall otherwise agree in writing), shall be entitled, for the purpose of bidding and making settlement or payment of the purchase price for all or any portion of the Collateral sold at any such public sale, to use and apply any of the Obligations as a credit on account of the purchase price for any collateral payable by the Administrative Agent at such sale or other disposition.

Section 9.14. Secured Bank Product Obligations and Hedging Obligations. No Bank Product Provider or Lender-Related Hedge Provider that obtains the benefits of Section 8.2, the Collateral Documents or any Collateral by virtue of the provisions hereof or of any other Loan Document shall have any right to notice of any action or to consent to, direct or object to any action hereunder or under any other Loan Document or otherwise in respect of the Collateral (including the release or impairment of any Collateral) other than in its capacity as a Lender and, in such case, only to the extent expressly provided in the Loan Documents. Notwithstanding any other provision of this Article to the contrary, the Administrative Agent shall not be required to verify the payment of, or that other satisfactory arrangements have been made with respect to, Bank Product Obligations and Hedging Obligations unless the Administrative Agent has received written notice of such Obligations, together with such supporting documentation as the Administrative Agent may request, from the applicable Bank Product Provider or Lender-Related Hedge Provider, as the case may be.

ARTICLE X

MISCELLANEOUS

Section 10.1. Notices.

(a) Written Notices.

(i) Except in the case of notices and other communications expressly permitted to be given by telephone or by electronic transmission in accordance with subsection (b) of this Section 10.1, all notices and other communications to any party herein to be effective shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by facsimile, as follows:

To the Borrower:
Interactive Holding Corp.
340 Madison Avenue, 8th Floor
New York, New York 10173
Attention: Michael Waxman-Lenz
Facsimile Number: (212) 685-8001
Telephone Number: (212) 685-8000
Email: michaelw@perion.com

To Holdings:
Increditone Inc.
340 Madison Avenue, 8th Floor
New York, New York 10173
Attention: Michael Waxman-Lenz
Facsimile Number: (212) 685-8001
Telephone Number: (212) 685-8000
Email: michaelw@Perion.com

With a copy to (for Information purposes only):
Perion Network Ltd.
Azrieli Center 1, Building A, 4th Floor
26 Harokmim St.
Holon, 5885849 Israel
Attention: Sharon Shahak/Limor Gershoni
Facsimile Number: +972-3-6445502
Email: SharonS@Perion.com/LimorG@Perion.com

and

Kramer Levin Naftalis & Frankel LLP
1177 Avenue of the Americas
New York, New York 10036
Attention: Richard Gilden
Facsimile Number: (212) 715-8085
Email: rgilden@kramerlevin.com

To the Administrative Agent:	SunTrust Bank 303 Peachtree Street, N.E. Atlanta, Georgia 30308 Attention: Shannon Offen Facsimile Number: (404) 439-7470 Email: Shannon.offen@suntrust.com
With a copy to (for Information purposes only):	SunTrust Bank Agency Services 303 Peachtree Street, N.E. / 25th Floor Atlanta, Georgia 30308 Attention: Doug Weltz Facsimile Number: (404) 495-2170 Email: agency.services@suntrust.com and Alston & Bird LLP 1201 West Peachtree Street Atlanta, Georgia 30309 Attention: Rick D. Blumen, Esq. Facsimile Number: (404) 253-8366 Email: rick.blumen@alston.com
To the Issuing Bank:	SunTrust Bank 245 Peachtree Center Ave., 17th Floor Atlanta, Georgia 30303 Attention: Standby Letter of Credit Dept. Facsimile Number: (801) 567-6205
To the Swingline Lender:	SunTrust Bank Agency Services 303 Peachtree Street, N.E. / 25th Floor Atlanta, Georgia 30308 Attention: Doug Weltz Facsimile Number: (404) 495-2170 E-mail: Doug.weltz@suntrust.com
To any other Lender:	the address set forth in the Administrative Questionnaire or the Assignment and Acceptance executed by such Lender

Any party hereto may change its address or facsimile number for notices and other communications hereunder by notice to the other parties hereto. All such notices and other communications shall be effective upon actual receipt by the relevant Person or, if delivered by overnight courier service, upon the first Business Day after the date deposited with such courier service for overnight (next-day) delivery or, if sent by facsimile, upon transmittal in legible form by facsimile machine or, if mailed, upon the third Business Day after the date deposited into the mail or, if delivered by hand, upon delivery; provided that notices delivered to the Administrative Agent, the Issuing Bank or the Swingline Lender shall not be effective until actually received by such Person at its address specified in this Section.

(ii) Any agreement of the Administrative Agent, the Issuing Bank or any Lender herein to receive certain notices by telephone or facsimile is solely for the convenience and at the request of the Borrower. The Administrative Agent, the Issuing Bank and each Lender shall be entitled to rely on the authority of any Person purporting to be a Person authorized by the Borrower to give such notice and the Administrative Agent, the Issuing Bank and the Lenders shall not have any liability to the Borrower or other Person on account of any action taken or not taken by the Administrative Agent, the Issuing Bank or any Lender in reliance upon such telephonic or facsimile notice. The obligation of the Borrower to repay the Loans and all other Obligations hereunder shall not be affected in any way or to any extent by any failure of the Administrative Agent, the Issuing Bank or any Lender to receive written confirmation of any telephonic or facsimile notice or the receipt by the Administrative Agent, the Issuing Bank or any Lender of a confirmation which is at variance with the terms understood by the Administrative Agent, the Issuing Bank and such Lender to be contained in any such telephonic or facsimile notice.

(b) Electronic Communications.

(i) Notices and other communications to the Lenders and the Issuing Bank hereunder may be delivered or furnished by electronic communication (including by e-mail to the e-mail addresses provided in subsection (a) of this Section 10.1 and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent, provided that the foregoing shall not apply to notices to any Lender or the Issuing Bank pursuant to Article II unless such Lender, the Issuing Bank, as applicable, and the Administrative Agent have agreed to receive notices under any Section thereof by electronic communication and have agreed to the procedures governing such communications. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

(ii) Unless the Administrative Agent otherwise prescribes, (x) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement); provided that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next Business Day for the recipient, and (y) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (x) of notification that such notice or communication is available and identifying the website address therefor.

(iii) The Borrower agrees that the Administrative Agent may, but shall not be obligated to, make Communications (as defined below) available to the Issuing Bank and the other Lenders by posting the Communications on Debt Domain, Intralinks, SyndTrak, ClearPar or a substantially similar Electronic System.

(iv) Any Electronic System used by the Administrative Agent is provided "as is" and "as available." The Agent Parties (as defined below) do not warrant the adequacy of such Electronic Systems and expressly disclaim liability for errors or omissions in the Communications. No warranty of any kind, express, implied or statutory, including, without limitation, any warranty of merchantability, fitness for a particular purpose, non-infringement of third-party rights or freedom from viruses or other code defects, is made by any Agent Party in connection with the Communications or any Electronic System. In no event shall the Administrative Agent or any of its Related Parties (collectively, the "Agent Parties") have any liability to any Loan Party, any Lender, the Issuing Bank or any other Person or entity for damages of any kind, including, without limitation, direct or indirect, special, incidental or consequential damages, losses or expenses (whether in tort, contract or otherwise) arising out of any Loan Party's or the Administrative Agent's transmission of Communications through an Electronic System. "Communications" means, collectively, any notice, demand, communication, information, document or other material provided by or on behalf of any Loan Party pursuant to any Loan Document or the transactions contemplated therein which is distributed by the Administrative Agent, any Lender or the Issuing Bank by means of electronic communications pursuant to this Section, including through an Electronic System.

Section 10.2. Waiver; Amendments.

(a) No failure or delay by the Administrative Agent, the Issuing Bank or any Lender in exercising any right or power hereunder or under any other Loan Document, and no course of dealing between the Borrower and the Administrative Agent or any Lender, shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such right or power, preclude any other or further exercise thereof or the exercise of any other right or power hereunder or thereunder. The rights and remedies of the Administrative Agent, the Issuing Bank and the Lenders hereunder and under the other Loan Documents are cumulative and are not exclusive of any rights or remedies provided by law. No waiver of any provision of this Agreement or of any other Loan Document or consent to any departure by the Borrower or any other Loan Party therefrom shall in any event be effective unless the same shall be permitted by subsection (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan or the issuance of a Letter of Credit shall not be construed as a waiver of any Default or Event of Default, regardless of whether the Administrative Agent, any Lender or the Issuing Bank may have had notice or knowledge of such Default or Event of Default at the time.

(b) No amendment or waiver of any provision of this Agreement or of the other Loan Documents (other than the Fee Letter), nor consent to any departure by the Borrower or any other Loan Party therefrom, shall in any event be effective unless the same shall be in writing and signed by the Borrower or the applicable Loan Party and the Required Lenders, or the Borrower or the applicable Loan Party and the Administrative Agent with the consent of the Required Lenders, and then such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided that, in addition to the consent of the Required Lenders, no amendment, waiver or consent shall:

(i) increase the Commitment of any Lender without the written consent of such Lender;

(ii) reduce the principal amount of any Loan or LC Disbursement or reduce the rate of interest thereon, or reduce any fees payable hereunder, without the written consent of each Lender affected thereby;

(iii) postpone the date fixed for any payment of any principal of, or interest on, any Loan or LC Disbursement (other than any mandatory prepayment) or any fees hereunder or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date for the termination or reduction of any Commitment, without the written consent of each Lender affected thereby;

(iv) change Section 2.21(b) or (c) in a manner that would alter the *pro rata* sharing of payments required thereby or change Section 8.2, without the written consent of each Lender;

(v) change any of the provisions of this subsection (b) or the definition of "Required Lenders" or "Required Revolving Lenders" or any other provision hereof specifying the number or percentage of Lenders which are required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, without the consent of each Lender;

(vi) release all or substantially all of the Guarantors, or limit the liability of such Guarantors, under any guaranty agreement guaranteeing any of the Obligations, without the written consent of each Lender; or

(vii) release all or substantially all collateral (if any) securing any of the Obligations, without the written consent of each Lender;

provided, further, that no such amendment, waiver or consent shall amend, modify or otherwise affect the rights, duties or obligations of the Administrative Agent, the Swingline Lender or the Issuing Bank without the prior written consent of such Person. For the avoidance of doubt, no amendment or consent may be made to change the definitions of "Aggregate Revolving Commitment Amount", "Revolving Commitment", "Swingline Commitment" or "LC Commitment" without the written consent of the Required Revolving Lenders.

(c) Notwithstanding anything to the contrary herein, no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder, except that the Commitment of such Lender may not be increased or extended, and amounts payable to such Lender hereunder may not be permanently reduced, without the consent of such Lender (other than reductions in fees and interest in which such reduction does not disproportionately affect such Lender). Notwithstanding anything contained herein to the contrary, this Agreement may be amended and restated without the consent of any Lender (but with the consent of the Borrower and the Administrative Agent) if, upon giving effect to such amendment and restatement, such Lender shall no longer be a party to this Agreement (as so amended and restated), the Commitments of such Lender shall have terminated (but such Lender shall continue to be entitled to the benefits of Sections 2.18, 2.19, 2.20 and 10.3), such Lender shall have no other commitment or other obligation hereunder and such Lender shall have been paid in full all principal, interest and other amounts owing to it or accrued for its account under this Agreement. Notwithstanding anything herein or otherwise to the contrary, any Event of Default occurring hereunder shall continue to exist (and shall be deemed to be continuing) until such time as such Event of Default is waived in writing in accordance with the terms of this Section notwithstanding (i) any attempted cure or other action taken by the Borrower or any other Person subsequent to the occurrence of such Event of Default or (ii) any action taken or omitted to be taken by the Administrative Agent or any Lender prior to or subsequent to the occurrence of such Event of Default (other than the granting of a waiver in writing in accordance with the terms of this Section).

(d) Notwithstanding anything to the contrary herein, the Administrative Agent may, with the consent of the Borrower only, amend, modify or supplement any Loan Document to cure any ambiguity, omission, mistake, defect or inconsistency.

Section 10.3. Expenses; Indemnification.

(a) Holdings and the Borrower shall pay (i) all reasonable, documented, out-of-pocket costs and expenses of the Joint Lead Arrangers, the Administrative Agent and their Affiliates, including the reasonable fees, documented charges and disbursements actually incurred of counsel for the Joint Lead Arrangers, the Administrative Agent and their Affiliates, in connection with the syndication of the credit facilities provided for herein, the preparation and administration of the Loan Documents and any amendments, modifications or waivers thereof (whether or not the transactions contemplated in this Agreement or any other Loan Document shall be consummated), including the reasonable documented fees, charges and disbursements of counsel for the Administrative Agent, the Joint Lead Arrangers and their Affiliates, (ii) all reasonable documented out-of-pocket expenses incurred by the Issuing Bank in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder and (iii) all out-of-pocket costs and expenses (including, without limitation, the reasonable documented fees, charges and disbursements actually incurred of outside counsel) incurred by the Administrative Agent, the Issuing Bank or any Lender in connection with the enforcement or protection of its rights in connection with this Agreement, including its rights under this Section, or in connection with the Loans made or any Letters of Credit issued hereunder, including all such documented out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit.

(b) Holdings and the Borrower shall indemnify the Administrative Agent (and any sub-agent thereof), the Joint Lead Arrangers, each Lender and the Issuing Bank, and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses (including the fees, charges and disbursements actually incurred of any counsel for any Indemnitee), and shall indemnify and hold harmless each Indemnitee from all fees and time charges and disbursements for attorneys who may be employees of any Indemnitee, incurred by any Indemnitee or asserted against any Indemnitee by any third party or by the Borrower or any other Loan Party arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Loan Document, any other Related Transaction Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder or the consummation of the transactions contemplated hereby or thereby, (ii) any Loan or Letter of Credit or the use or proposed use of the proceeds therefrom (including any refusal by the Issuing Bank to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any actual or alleged presence or Release of Hazardous Materials on or from any property owned or operated by the Borrower or any of its Subsidiaries, or any Environmental Liability related in any way to the Borrower or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by the Borrower or any other Loan Party, and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and non-appealable judgment to have resulted from (x) the gross negligence or willful misconduct of such Indemnitee or (y) a claim brought by the Borrower or any other Loan Party against an Indemnitee for breach in bad faith of such Indemnitee's obligations hereunder or under any other Loan Document. No Indemnitee shall be liable for any damages arising from the use by others of any information or other materials obtained through Syndtrak, Intralinks or any other Internet or intranet website, except as a result of such Indemnitee's gross negligence, bad faith or willful misconduct as determined by a court of competent jurisdiction in a final and non-appealable judgment.

(c) Holdings and the Borrower shall pay, and hold the Administrative Agent, the Issuing Bank and each of the Lenders harmless from and against, any and all present and future stamp, documentary, and other similar Taxes with respect to this Agreement and any other Loan Documents, any collateral described therein or any payments due thereunder, and save the Administrative Agent, the Issuing Bank and each Lender harmless from and against any and all liabilities with respect to or resulting from any delay or omission to pay such Taxes.

(d) To the extent that Holdings or the Borrower fails to pay any amount required to be paid to the Administrative Agent, the Issuing Bank or the Swingline Lender under subsection (a), (b) or (c) of this Section, each Lender severally agrees to pay to the Administrative Agent, the Issuing Bank or the Swingline Lender, as the case may be, such Lender's *pro rata* share (in accordance with its respective Revolving Commitment (or Revolving Credit Exposure, as applicable) and Term Loan determined as of the time that the unreimbursed expense or indemnity payment is sought) of such unpaid amount; provided that the unreimbursed expense or indemnified payment, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent, the Issuing Bank or the Swingline Lender in its capacity as such.

(e) To the extent permitted by applicable law, the Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to actual or direct damages) arising out of, in connection with or as a result of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated therein, any Loan or any Letter of Credit or the use of proceeds thereof. In the absence of gross negligence or willful misconduct on the part of such Indemnitee (as finally determined by a court of competent jurisdiction), no Indemnitee referred to in subsection (b) above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby; provided, that nothing in this clause (e) shall relieve the Borrower of any obligation it may have to indemnify any Indemnitee against special, indirect, consequential or punitive damages asserted against such Indemnitee by a third party.

(f) All amounts due under this Section shall be payable promptly after written demand therefor.

Section 10.4. Successors and Assigns.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that neither Holdings nor the Borrower may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Administrative Agent and each Lender, and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an assignee in accordance with the provisions of subsection (b) of this Section, (ii) by way of participation in accordance with the provisions of subsection (d) of this Section or (iii) by way of pledge or assignment of a security interest subject to the restrictions of subsection (f) of this Section (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in subsection (d) of this Section and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Any Lender may at any time assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitments, Loans and other Revolving Credit Exposure at the time owing to it); provided that any such assignment shall be subject to the following conditions:

(i) Minimum Amounts.

(A) in the case of an assignment of the entire remaining amount of the assigning Lender's Commitments, Loans and other Revolving Credit Exposure at the time owing to it or in the case of an assignment to a Lender, an Affiliate of a Lender or an Approved Fund, no minimum amount need be assigned; and

(B) in any case not described in Section 10.4(b)(i)(A), the aggregate amount of the Commitment (which for this purpose includes Loans and Revolving Credit Exposure outstanding thereunder) or, if the applicable Commitment is not then in effect, the principal outstanding balance of the Loans and Revolving Credit Exposure of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Acceptance, as of the Trade Date) shall not be less than $1,000,000 with respect to Term Loans and $2,000,000 with respect to Revolving Loans and in minimum increments of $1,000,000, unless each of the Administrative Agent and, so long as no Event of Default has occurred and is continuing, the Borrower otherwise consents in writing (each such consent not to be unreasonably withheld or delayed).

(ii) Proportionate Amounts. Each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loans, other Revolving Credit Exposure or the Commitments assigned except if the Administrative Agent shall otherwise consent, such consent not to be unreasonably withheld or delayed.

(iii) Required Consents. No consent shall be required for any assignment except to the extent required by Section 10.4(b)(i)(B) and, in addition:

(A) the consent of the Borrower (such consent not to be unreasonably withheld or delayed) shall be required unless (x) an Event of Default has occurred and is continuing at the time of such assignment or (y) such assignment is to a Lender, an Affiliate of such Lender or an Approved Fund of such Lender;

(B) the consent of the Administrative Agent (such consent not to be unreasonably withheld or delayed) shall be required unless such assignment is of a Term Loan to a Lender, an Affiliate of such Lender or an Approved Fund of such Lender; and

(C) the consent of the Issuing Bank (such consent not to be unreasonably withheld or delayed) shall be required for any assignment that increases the obligation of the assignee to participate in exposure under one or more Letters of Credit (whether or not then outstanding), and the consent of the Swingline Lender (such consent not to be unreasonably withheld or delayed) shall be required for any assignment in respect of the Revolving Commitments.

(iv) Assignment and Acceptance. The parties to each assignment shall deliver to the Administrative Agent (A) a duly executed Assignment and Acceptance, (B) a processing and recordation fee of $3,500, (C) an Administrative Questionnaire unless the assignee is already a Lender and (D) the documents required under Section 2.20(e).

(v) No Assignment to Certain Persons. No such assignment shall be made to (A) Holdings, the Borrower or any of the Borrower's Affiliates or Subsidiaries or (B) to any Defaulting Lender or any of its Subsidiaries, or any Person who, upon becoming a Lender hereunder, would constitute any of the foregoing Persons described in this clause (B).

(vi) No Assignment to Natural Persons. No such assignment shall be made to a natural person.

(vii) Certain Additional Payments. In connection with any assignment of rights and obligations of any Defaulting Lender hereunder, no such assignment shall be effective unless and until, in addition to the other conditions thereto set forth herein, the parties to the assignment shall make such additional payments to the Administrative Agent in an aggregate amount sufficient, upon distribution thereof as appropriate (which may be outright payment, purchases by the assignee of participations or subparticipations, or other compensating actions, including funding, with the consent of the Borrower and the Administrative Agent, the applicable *pro rata* share of Loans previously requested but not funded by the Defaulting Lender, to each of which the applicable assignee and assignor hereby irrevocably consent), to (x) pay and satisfy in full all payment liabilities then owed by such Defaulting Lender to the Administrative Agent, the Issuing Bank, the Swingline Lender and each other Lender hereunder (and interest accrued thereon), and (y) acquire (and fund as appropriate) its full *pro rata* share of all Loans and participations in Letters of Credit and Swingline Loans. Notwithstanding the foregoing, in the event that any assignment of rights and obligations of any Defaulting Lender hereunder shall become effective under applicable law without compliance with the provisions of this paragraph, then the assignee of such interest shall be deemed to be a Defaulting Lender for all purposes of this Agreement until such compliance occurs.

Subject to acceptance and recording thereof by the Administrative Agent pursuant to subsection (c) of this Section, from and after the effective date specified in each Assignment and Acceptance, the assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 2.18, 2.19, 2.20 and 10.3 with respect to facts and circumstances occurring prior to the effective date of such assignment; provided that, except to the extent otherwise expressly agreed by the affected parties, no assignment by a Defaulting Lender will constitute a waiver or release of any claim of any party hereunder arising from such Lender's having been a Defaulting Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this subsection shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with subsection (d) of this Section. If the consent of the Borrower to an assignment is required hereunder (including a consent to an assignment which does not meet the minimum assignment thresholds specified above), the Borrower shall be deemed to have given its consent unless it shall object thereto by written notice to the Administrative Agent within five (5) Business Days after notice thereof has actually been delivered by the assigning Lender (through the Administrative Agent) to the Borrower.

(c) The Administrative Agent, acting solely for this purpose as an agent of the Borrower, shall maintain at one of its offices in Atlanta, Georgia a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amount of the Loans and Revolving Credit Exposure owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). Information contained in the Register with respect to any Lender shall be available for inspection by such Lender at any reasonable time and from time to time upon reasonable prior notice; information contained in the Register shall also be available for inspection by the Borrower at any reasonable time and from time to time upon reasonable prior notice. In establishing and maintaining the Register, the Administrative Agent shall serve as the Borrower's agent solely for tax purposes and solely with respect to the actions described in this Section, and the Borrower hereby agrees that, to the extent SunTrust Bank serves in such capacity, SunTrust Bank and its officers, directors, employees, agents, sub-agents and affiliates shall constitute "Indemnitees".

(d) Any Lender may at any time, without the consent of, or notice to, the Borrower, the Administrative Agent, the Swingline Lender or the Issuing Bank, sell participations to any Person (other than a natural person, the Borrower or any of the Borrower's Affiliates or Subsidiaries) (each, a "Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Administrative Agent, the Issuing Bank, the Swingline Lender and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement.

(e) Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver with respect to the following to the extent affecting such Participant: (i) increase the Commitment of such Lender; (ii) reduce the principal amount of any Loan or LC Disbursement or reduce the rate of interest thereon, or reduce any fees payable hereunder; (iii) postpone the date fixed for any payment of any principal of, or interest on, any Loan or LC Disbursement (other than any mandatory prepayment) or any fees hereunder or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date for the termination or reduction of any Commitment; (iv) change Section 2.21(b) or (c) in a manner that would alter the *pro rata* sharing of payments required thereby; (v) change any of the provisions of Section 10.2(b) or the definition of "Required Lenders" or "Required Revolving Lenders" or any other provision hereof specifying the number or percentage of Lenders which are required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder; (vi) release all or substantially all of the Guarantors, or limit the liability of such Guarantors, under any guaranty agreement guaranteeing any of the Obligations; or (vii) release all or substantially all collateral (if any) securing any of the Obligations. Subject to subsection (e) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.18, 2.19, and 2.20 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to subsection (b) of this Section; provided that such Participant agrees to be subject to Section 2.24 as though it were a Lender. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 10.7 as though it were a Lender; provided that such Participant agrees to be subject to Section 2.21 as though it were a Lender.

Each Lender that sells a participation shall, acting solely for this purpose as an agent of the Borrower, maintain a register in the United States on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loans or other obligations under the Loan Documents (the "Participant Register"). The entries in the Participant Register shall be conclusive, absent manifest error, and such Lender shall treat each person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. The Borrower and the Administrative Agent shall have inspection rights to such Participant Register (upon reasonable prior notice to the applicable Lender) solely for purposes of demonstrating that such Loans or other obligations under the Loan Documents are in "registered form" for purposes of the Code. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

(f) A Participant shall not be entitled to receive any greater payment under Sections 2.18 and 2.20 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant shall not be entitled to the benefits of Section 2.20 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 2.20(e) and 2.20(f) as though it were a Lender.

(g) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including, without limitation, any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

Section 10.5. Governing Law; Jurisdiction; Consent to Service of Process.

(a) This Agreement and the other Loan Documents and any claims, controversy, dispute or cause of action (whether in contract or tort or otherwise) based upon, arising out of or relating to this Agreement or any other Loan Document (except, as to any other Loan Document, as expressly set forth therein) and the transactions contemplated hereby and thereby shall be construed in accordance with and be governed by the law (without giving effect to the conflict of law principles thereof that would result in the application of any law other than the law of the State of New York) of the State of New York.

(b) Holdings and the Borrower hereby irrevocably and unconditionally submit, for themselves and their property, to the exclusive jurisdiction of the United States District Court for the Southern District of New York, and the courts of the State of New York sitting in the City of New York, Borough of Manhattan, and of any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or any other Loan Document or the transactions contemplated hereby or thereby, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such District Court or New York state court or, to the extent permitted by applicable law, such appellate court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement or any other Loan Document shall affect any right that the Administrative Agent, the Issuing Bank or any Lender may otherwise have to bring any action or proceeding relating to this Agreement or any other Loan Document against Holdings, the Borrower or their respective properties in the courts of any jurisdiction.

(c) Holdings and the Borrower irrevocably and unconditionally waive any objection which they may now or hereafter have to the laying of venue of any such suit, action or proceeding described in subsection (b) of this Section and brought in any court referred to in subsection (b) of this Section. Each of the parties hereto irrevocably waives, to the fullest extent permitted by applicable law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Agreement irrevocably consents to the service of process in the manner provided for notices in Section 10.1(a). Nothing in this Agreement or in any other Loan Document will affect the right of any party hereto to serve process in any other manner permitted by law.

Section 10.6. WAIVER OF JURY TRIAL. EACH PARTY HERETO IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

Section 10.7. Right of Set-off. In addition to any rights now or hereafter granted under applicable law and not by way of limitation of any such rights, each Lender and the Issuing Bank shall have the right, at any time or from time to time upon the occurrence and during the continuance of an Event of Default, without prior notice to the Borrower or Holdings, any such notice being expressly waived by the Borrower and Holdings to the extent permitted by applicable law, to set off and apply against all deposits (general or special, time or demand, provisional or final) of the Borrower and/or Holdings at any time held or other obligations at any time owing by such Lender and the Issuing Bank to or for the credit or the account of the Borrower and/or Holdings against any and all Obligations held by such Lender or the Issuing Bank, as the case may be, irrespective of whether such Lender or the Issuing Bank shall have made demand hereunder and although such Obligations may be unmatured; provided that in the event that any Defaulting Lender shall exercise any such right of setoff, (x) all amounts so set off shall be paid over immediately to the Administrative Agent for further application in accordance with the provisions of Section 2.26(b) and, pending such payment, shall be segregated by such Defaulting Lender from its other funds and deemed held in trust for the benefit of the Administrative Agent, the Issuing Banks, and the Lenders, and (y) the Defaulting Lender shall provide promptly to the Administrative Agent a statement describing in reasonable detail the Obligations owing to such Defaulting Lender as to which it exercised such right of setoff. Each Lender and the Issuing Bank agrees promptly to notify the Administrative Agent, Holdings or the Borrower (as applicable) after any such set-off and any application made by such Lender or the Issuing Bank, as the case may be; provided that the failure to give such notice shall not affect the validity of such set-off and application. Each Lender and the Issuing Bank agrees to apply all amounts collected from any such set-off to the Obligations before applying such amounts to any other Indebtedness or other obligations owed by Holdings, the Borrower and any of their respective Subsidiaries to such Lender or the Issuing Bank.

Section 10.8. Counterparts; Integration. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. This Agreement, the Fee Letter, the other Loan Documents, and any separate letter agreements relating to any fees payable to the Administrative Agent and its Affiliates constitute the entire agreement among the parties hereto and thereto and their affiliates regarding the subject matters hereof and thereof and supersede all prior agreements and understandings, oral or written, regarding such subject matters. Delivery of an executed counterpart to this Agreement or any other Loan Document by facsimile transmission or by electronic mail in pdf format shall be as effective as delivery of a manually executed counterpart hereof.

Section 10.9. Survival. All covenants, agreements, representations and warranties made by Holdings and the Borrower herein and in the certificates, reports, notices or other instruments delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of this Agreement and the other Loan Documents and the making of any Loans and issuance of any Letters of Credit, regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Administrative Agent, the Issuing Bank or any Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement is outstanding and unpaid or any Letter of Credit is outstanding and so long as the Commitments have not expired or terminated. The provisions of Sections 2.18, 2.19, 2.20, and 10.3 and Article IX shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Letters of Credit and the Commitments or the termination of this Agreement or any provision hereof. All representations and warranties made herein, in the Loan Documents in the certificates, reports, notices, and other documents delivered pursuant to this Agreement shall survive the execution and delivery of this Agreement and the other Loan Documents, and the making of the Loans and the issuance of the Letters of Credit.

Section 10.10. Severability. Any provision of this Agreement or any other Loan Document held to be illegal, invalid or unenforceable in any jurisdiction, shall, as to such jurisdiction, be ineffective to the extent of such illegality, invalidity or unenforceability without affecting the legality, validity or enforceability of the remaining provisions hereof or thereof; and the illegality, invalidity or unenforceability of a particular provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 10.11. Confidentiality. Each of the Administrative Agent, the Issuing Bank and the Lenders agrees to take normal and reasonable precautions to maintain the confidentiality of any information relating to the Borrower or any of its Subsidiaries or any of their respective businesses, to the extent designated in writing as confidential and provided to it by the Borrower or any of its Subsidiaries, other than any such information that is available to the Administrative Agent, the Issuing Bank or any Lender on a non-confidential basis prior to disclosure by the Borrower or any of its Subsidiaries, except that such information may be disclosed (i) to any Related Party of the Administrative Agent, the Issuing Bank or any such Lender including, without limitation, accountants, legal counsel and other advisors, (ii) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (iii) to the extent requested by any regulatory agency or authority purporting to have jurisdiction over it (including any self-regulatory authority such as the National Association of Insurance Commissioners), (iv) to the extent that such information becomes publicly available other than as a result of a breach of this Section, or which becomes available to the Administrative Agent, the Issuing Bank, any Lender or any Related Party of any of the foregoing on a non-confidential basis from a source other than the Borrower or any of its Subsidiaries, (v) in connection with the exercise of any remedy hereunder or under any other Loan Documents or any suit, action or proceeding relating to this Agreement or any other Loan Documents or the enforcement of rights hereunder or thereunder, (vi) subject to execution by such Person of an agreement containing provisions substantially the same as those of this Section, to (A) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement, or (B) any actual or prospective party (or its Related Parties) to any swap or derivative or other transaction under which payments are to be made by reference to the Borrower and its obligations, this Agreement or payments hereunder, (vii) to any rating agency, (viii) to the CUSIP Service Bureau or any similar organization, or (ix) with the consent of the Borrower. Any Person required to maintain the confidentiality of any information as provided for in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such information as such Person would accord its own confidential information. In the event of any conflict between the terms of this Section and those of any other Contractual Obligation entered into with any Loan Party (whether or not a Loan Document), the terms of this Section shall govern.

Section 10.12. Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts which may be treated as interest on such Loan under applicable law (collectively, the "Charges"), shall exceed the maximum lawful rate of interest (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by a Lender holding such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Rate to the date of repayment (to the extent permitted by applicable law), shall have been received by such Lender.

Section 10.13. Waiver of Effect of Corporate Seal. Each of Holdings and the Borrower represents and warrants that neither it nor any other Loan Party is required to affix its corporate seal to this Agreement or any other Loan Document pursuant to any Requirement of Law, agrees that this Agreement is delivered by Holdings and the Borrower under seal and waives any shortening of the statute of limitations that may result from not affixing the corporate seal to this Agreement or such other Loan Documents.

Section 10.14. Patriot Act. The Administrative Agent and each Lender hereby notifies the Loan Parties and the Parent that, pursuant to the requirements of the Patriot Act, it is required to obtain, verify and record information that identifies each Loan Party, which information includes the name and address of such Loan Party and other information that will allow such Lender or the Administrative Agent, as applicable, to identify such Loan Party in accordance with the Patriot Act.

Section 10.15. No Advisory or Fiduciary Responsibility. In connection with all aspects of each transaction contemplated hereby (including in connection with any amendment, waiver or other modification hereof or of any other Loan Document), the Borrower and each other Loan Party acknowledges and agrees and acknowledges its Affiliates' understanding that (i) (A) the services regarding this Agreement provided by the Administrative Agent and/or the Lenders are arm's-length commercial transactions between the Borrower, each other Loan Party and their respective Affiliates, on the one hand, and the Administrative Agent and the Lenders, on the other hand, (B) each of the Borrower, the Parent and the other Loan Parties have consulted their own legal, accounting, regulatory and tax advisors to the extent they have deemed appropriate, and (C) the Borrower and each other Loan Party is capable of evaluating and understanding, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Loan Documents; (ii) (A) each of the Administrative Agent and the Lenders is and has been acting solely as a principal and, except as expressly agreed in writing by the relevant parties, has not been, is not, and will not be acting as an advisor, agent or fiduciary for the Borrower, any other Loan Party or any of their respective Affiliates, or any other Person, and (B) neither the Administrative Agent nor any Lender has any obligation to the Borrower, any other Loan Party or any of their Affiliates with respect to the transaction contemplated hereby except those obligations expressly set forth herein and in the other Loan Documents; and (iii) the Administrative Agent, the Lenders and their respective Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Borrower, the Parent and the other Loan Parties and their respective Affiliates, and each of the Administrative Agent and the Lenders has no obligation to disclose any of such interests to the Borrower, the Parent and any other Loan Party or any of their respective Affiliates. To the fullest extent permitted by law, each of the Borrower and the other Loan Parties hereby waives and releases any claims that it may have against the Administrative Agent or any Lender with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transaction contemplated hereby.

Section 10.16. Independence of Covenants. All covenants hereunder shall be given independent effect so that if a particular action or condition is not permitted by any of such covenants, the fact that it would be permitted by an exception to, or would otherwise be within the limitations of, another covenant shall not avoid the occurrence of a Default or an Event of Default if such action is taken or condition exists.

(remainder of page left intentionally blank)

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

OR MERGER, INC.

By: /s/ Josef Mandelbaum & Yacov Kaufman
Name: Josef Mandelbaum & Yacov Kaufman
Title: Chief Executive Officer & Chief Financial Officer

INTERACTIVE HOLDING CORP.

By: /s/ Josef Mandelbaum & Yacov Kaufman
Name: Josef Mandelbaum & Yacov Kaufman
Title: Directors

INCREDITONE INC.

By: /s/ Josef Mandelbaum & Yacov Kaufman
Name: Josef Mandelbaum & Yacov Kaufman
Title: Chief Executive Officer & Chief Financial Officer

SUNTRUST BANK
as the Administrative Agent, as the Issuing Bank, as the Swingline Lender and as a Lender

By: /s/ Kevin Curtis
Name: Kevin Curtis
Title: Director

SILICON VALLEY BANK
as a Lender

By: /s/ Michael Moretti
Name: Michael Moretti
Title: MD

COMERICA BANK
as a Lender

By: /s/ Seong Kim
Name: Seong Kim
Title: Senior Vice President

This agreement has been included to provide investors and security holders with information regarding its terms. It is not intended to provide any other factual information about the any party to the agreement. The representations, warranties and covenants contained in this agreement were made only for purposes of such agreement and as of the specific dates therein, were solely for the benefit of the parties to such agreement, and may be subject to limitations agreed upon by the contracting parties, including being qualified by confidential disclosures exchanged between the parties in connection with the execution of the agreement. The representations and warranties may have been made for the purposes of allocating contractual risk between the parties to the agreement instead of establishing those matters as facts, and may be subject to standards of materiality applicable to the contracting parties that differ from those applicable to investors. Investors are not third party beneficiaries under this agreement and should not rely on the representations, warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or condition of any party to the agreement or any of their respective subsidiaries or affiliates. Moreover, information concerning the subject matter of the representations and warranties may change after the date of the agreement, which subsequent information may or may not be fully reflected in the Company's public disclosures.

SECURITIES PURCHASE AGREEMENT

This Securities Purchase Agreement (this "**Agreement**") is dated as of November 30, 2015, between Perion Network Ltd., a company organized under the laws of the State of Israel (the "**Company**"), and each purchaser identified on the signature pages hereto (each, including its successors and assigns, a "**Purchaser**" and collectively, the "**Purchasers**").

WHEREAS, subject to the terms and conditions set forth in this Agreement and pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended (the "**Securities Act**"), and Rule 506 promulgated thereunder, the Company desires to issue and sell to each Purchaser, and each Purchaser, severally and not jointly, desires to purchase from the Company, securities of the Company as more fully described in this Agreement.

NOW, THEREFORE, IN CONSIDERATION of the mutual covenants contained in this Agreement, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Company and each Purchaser agree as follows:

ARTICLE I.
DEFINITIONS

1.1 Definitions. In addition to the terms defined elsewhere in this Agreement, for all purposes of this Agreement, the following terms have the meanings set forth in this Section 1.1:

"**Acquiring Person**" shall have the meaning ascribed to such term in Section 4.5.

"**Action**" shall have the meaning ascribed to such term in Section 3.1(j).

"**Affiliate**" means any Person that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with a Person, as such terms are used in and construed under Rule 405 under the Securities Act.

The "**Acquisition**" means the acquisition by the Company of Interactive Holding Corp. ("**IHC**"), pursuant to the Merger Agreement, dated as of November 30, 2015, among the Company, IncrediTone Inc., Or Merger, Inc., and Fortis Advisors LLC, as the Stockholders' Representative.

"**Board of Directors**" means the board of directors of the Company.

"**Business Day**" means any day except any Saturday, any Sunday, any day which is a federal legal holiday in the United States or any day on which banking institutions in the State of New York are authorized or required by law or other governmental action to close; *provided, however*, for calculating Business Days with respect to any action to be taken by the Company hereunder, Friday after 1:00 p.m. (New York City time) shall not be considered a Business Day.

"**Closing**" means the closing of the purchase and sale of the Shares pursuant to Section 2.1.

"**Closing Date**" means the Trading Day on which all of the Transaction Documents have been executed and delivered by the applicable parties thereto, and all conditions precedent to (i) the Purchasers' obligations to pay the Subscription Amount and (ii) the Company's obligations to deliver the Shares, in each case, have been satisfied or waived.

"**Commission**" means the United States Securities and Exchange Commission.

"**Company Israeli Counsel**" means Goldfarb Seligman & Co., with offices located at Ampa Tower, 98 Yigal Alon Street, Tel Aviv 6789141, Israel.

"**Company U.S. Counsel**" means Kramer Levin Naftalis & Frankel LLP.

"**Determination Date**" means the date which is one full trading day after the Company publicly announces the Acquisition.

"**Disclosure Schedules**" shall have the meaning ascribed to such term in Section 3.1.

"**Effective Date**" means the earliest of the date that (a) the initial Registration Statement has been declared effective by the Commission, (b) all of the Shares have been sold pursuant to Rule 144 or may be sold pursuant to Rule 144 without the requirement for the Company to be in compliance with the current public information required under Rule 144 and without volume or manner-of-sale restrictions or (c) following the one year anniversary of the Closing Date provided that a holder of Shares is not an Affiliate of the Company, all of the Shares may be sold pursuant to an exemption from registration under Section 4(1) of the Securities Act without volume or manner-of-sale restrictions and Company U.S. Counsel has delivered to such holders a standing written unqualified opinion that resales may then be made by such holders of the Shares pursuant to such exemption which opinion shall be in form and substance reasonably acceptable to such holders.

"**Evaluation Date**" shall have the meaning ascribed to such term in Section 3.1(s).

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"**Exempt Issuance**" means the issuance of (a) Ordinary Shares, options or other stock grants to employees, officers, directors or consultants of the Company or a subsidiary thereof pursuant to any stock or option plan duly adopted for such purpose, by a majority of the non-employee members of the Board of Directors or a majority of the members of a committee of non-employee directors established for such purpose for services rendered to the Company, (b) securities upon the exercise or exchange of or conversion of any securities exercisable or exchangeable for or convertible into Ordinary Shares issued and outstanding, or which the Company has undertaken to issue, on the date of this Agreement, *provided* that such securities have not been amended since the date of this Agreement to increase the number of such securities or to decrease the exercise price, exchange price or conversion price of such securities (other than in connection with stock splits or combinations) or to extend the term of such securities, (c) securities issued pursuant to stock splits, stock dividends or distributions, recapitalizations and similar events affecting the Ordinary Shares, (d) securities issued pursuant to the Transaction Documents, (e) securities issued pursuant to acquisitions or strategic transactions approved by a majority of the disinterested directors of the Company, *provided* that any such issuance shall only be to a Person (or to the equity holders of a Person) which is, which in the opinion of the Board, itself or through its subsidiaries, an operating company or an owner of an asset in a business synergistic with the business of the Company and shall provide to the Company additional benefits in addition to the investment of funds, but shall not include a transaction in which the Company is issuing securities primarily for the purpose of raising capital or to an entity whose primary business is investing in securities and (f) securities issued pursuant to an underwritten registered public offering of securities of the Company.

"**FCPA**" shall have the meaning ascribed to such term in Section 3.1(dd).

"**GAAP**" shall have the meaning ascribed to such term in Section 3.1(h).

"**Intellectual Property Rights**" shall have the meaning ascribed to such term in Section 3.1(p).

"**Legend Removal Date**" shall have the meaning ascribed to such term in Section 4.1(c).

"**Israeli Securities Law**" means the Israel Securities Law, 1968, and the regulations promulgated thereunder, as amended.

"**Liens**" means a lien, charge pledge, security interest, encumbrance, right of first refusal, preemptive right or other restriction, other than restrictions imposed by securities laws.

"**Material Adverse Effect**" shall have the meaning assigned to such term in Section 3.1(b).

"**Material Permits**" shall have the meaning ascribed to such term in Section 3.1(n).

"**OCS**" means the Office of the Chief Scientist of the Israeli Ministry of Economy.

"**Ordinary Shares**" means the ordinary shares of the Company, par value NIS 0.01per share, and any other class of securities into which such securities may hereafter be reclassified or changed.

"**Ordinary Share Equivalents**" means any securities of the Company or the Subsidiaries which would entitle the holder thereof to acquire at any time Ordinary Shares, including, without limitation, any debt, preferred stock, right, option, warrant or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, Ordinary Shares.

"**Per Share Purchase Price**" shall be equal to the lesser of (i) the average of the closing prices of an Ordinary Share on the Principal Market for the 30 days ending on the Determination Date and (ii) the closing price of an Ordinary Share on the Principal Market on the Determination Date, subject to (A) any adjustment required pursuant to Section 2.4, and (B) adjustment for reverse and forward stock splits, stock dividends, stock combinations and other similar transactions of the Ordinary Shares that occur after the date of this Agreement and prior to the Closing.

"**Person**" means an individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or subdivision thereof) or other entity of any kind.

"**Principal Market**" means the Nasdaq Global Select Market.

"**Proceeding**" means an action, claim, suit, investigation or proceeding (including, without limitation, an informal investigation or partial proceeding, such as a deposition), whether commenced or threatened.

"**Public Information Failure**" shall have the meaning ascribed to such term in Section 4.2(b).

"**Public Information Failure Payments**" shall have the meaning ascribed to such term in Section 4.2(b).

"**Purchaser Party**" shall have the meaning ascribed to such term in Section 4.8.

"**Registration Rights Agreement**" means the Registration Rights Agreement, dated the date hereof, among the Company and the Purchasers, in the form of Exhibit A attached hereto.

"**Registration Statement**" means a registration statement meeting the requirements set forth in the Registration Rights Agreement and covering the resale by the Purchasers of the Shares.

"**Required Approvals**" shall have the meaning ascribed to such term in Section 3.1(e).

"**Rule 144**" means Rule 144 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended or interpreted from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same purpose and effect as such Rule.

"**Rule 424**" means Rule 424 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended or interpreted from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same purpose and effect as such Rule.

"**SEC Reports**" shall have the meaning ascribed to such term in Section 3.1(h).

"**Securities Act**" means the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"**Shares**" means the Ordinary Shares issued or issuable to each Purchaser pursuant to this Agreement.

"**Subscription Amount**" means, as to each Purchaser, the aggregate amount to be paid for Shares purchased hereunder as specified below such Purchaser's name on the signature page of this Agreement and next to the heading "Subscription Amount," in United States dollars and in immediately available funds.

"**Subsidiary**" means each of (i) IncrediMail Inc., (ii) Smilebox Inc., (iii) ClientConnect Ltd., (iv) ClientConnect Inc., (v) ClientConnect B.V., (vi) Grow Mobile LLC, (vii) Perion Spain S.L., (viii) Perion Germany GmbH, (ix) Perion Interactive Ltd., (x) Creative Integrated Software Inc., (xi) SmileBox International LLC, (xii) Make Me Reach SAS and (xiii) IHC and its direct and indirect subsidiaries (collectively, the "**Subsidiaries**"), and shall, where applicable, also include any direct or indirect subsidiary of the Company formed or acquired after the date hereof.

"**Trading Day**" means a day on which the Principal Market is open for trading.

"**TASE"** means the Tel-Aviv Stock Exchange**.**

"**Trading Market**" means any of the following markets or exchanges on which the Ordinary Shares are listed or quoted for trading on the date in question: the NYSE MKT, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market, the New York Stock Exchange (or any successors to any of the foregoing) or the Tel-Aviv Stock Exchange.

"**Transaction Documents**" means this Agreement, the Registration Rights Agreement, all exhibits and schedules thereto and hereto and any other documents or agreements executed in connection with the transactions contemplated hereunder.

"**Transfer Agent**" means American Stock Transfer & Trust Company, the current transfer agent of the Company, with a mailing address of 59 Maiden Lane New York, New York 10038 and a facsimile number of 718-236-4588, and any successor transfer agent of the Company.

"**Variable Rate Transaction**" shall have the meaning ascribed to such term in Section 4.10(b).

"**Weighted Average Price**" means, for any security as of any date, the dollar volume-weighted average price for such security on the Principal Market during the period beginning at 9:30:01 a.m., New York time (or such other time as the Principal Market publicly announces is the official open of trading), and ending at 4:00:00 p.m., New York time (or such other time as the Principal Market publicly announces is the official close of trading), as reported by Bloomberg through its "Volume at Price" function or, if the foregoing does not apply, the dollar volume-weighted average price of such security in the over-the-counter market on the electronic bulletin board for such security during the period beginning at 9:30:01 a.m., New York time (or such other time as such market publicly announces is the official open of trading), and ending at 4:00:00 p.m., New York time (or such other time as such market publicly announces is the official close of trading), as reported by Bloomberg, or, if no dollar volume-weighted average price is reported for such security by Bloomberg for such hours, the average of the highest closing bid price and the lowest closing ask price of any of the market makers for such security as reported in the OTC Link or "pink sheets" by OTC Markets Group Inc. If the Weighted Average Price cannot be calculated for a security on a particular date on any of the foregoing bases, the Weighted Average Price of such security on such date shall be the fair market value as mutually determined by the Company and the Purchaser. All such determinations shall be appropriately adjusted for any stock dividend, stock split, stock combination, reclassification or other similar transaction during the applicable calculation period.

ARTICLE II.
PURCHASE AND SALE

2.1 Closing. On the Closing Date, upon the terms and subject to the conditions set forth herein, substantially concurrent with the execution and delivery of this Agreement by the parties hereto, the Company agrees to sell, and the Purchasers, severally and not jointly, agree to purchase, such aggregate number of Shares equal to $10,125,000 divided by the Per Share Purchase Price. Each Purchaser shall deliver to the Company, via wire transfer, immediately available funds equal to such Purchaser's Subscription Amount as set forth on the signature page hereto executed by such Purchaser, and the Company shall deliver to each Purchaser its respective Shares and the Company and each Purchaser shall deliver the other items set forth in Section 2.2(b) at the Closing. Upon satisfaction of the covenants and conditions set forth in Sections 2.2 and 2.3, the Closing shall occur at the offices of counsel for the Purchasers or such other location as the parties shall mutually agree.

2.2 Deliveries.

(a) On or prior to the Closing Date, the Company shall deliver or cause to be delivered to each Purchaser the following:

(i) this Agreement duly executed by the Company;

(ii) a legal opinion of Company U.S. Counsel, in form and substance reasonably satisfactory to counsel to the Purchasers covering the matters set forth in Exhibit I;

(iii) a legal opinion of Company Israeli Counsel, in form and substance reasonably satisfactory to counsel to the Purchasers covering the matters set forth in Exhibit J;

(iv) an Officers' Certificate, in customary form and reasonably satisfactory to counsel to the Purchasers;

(v) a Secretary's Certificate, in customary form and reasonably satisfactory to counsel to the Purchasers;

(vi) Good Standing (or Israeli equivalent consisting of an extract from the Israel Registrar of Companies) certificates for the Company and each of ClientConnect Ltd., IHC and all its subsidiaries for which the Company was provided such certificates by IHC in connection with the Acquisition;

(vii) a copy of the irrevocable instructions to the Transfer Agent instructing the Transfer Agent to deliver, on an expedited basis, a certificate (or book entry) evidencing a number of Shares equal to such Purchaser's Subscription Amount divided by the Per Share Purchase Price, registered in the name of such Purchaser; and

(viii) the Registration Rights Agreement duly executed by the Company.

(b) On or prior to the Closing Date, each Purchaser shall deliver or cause to be delivered to the Company the following:

(i) this Agreement duly executed by such Purchaser;

(ii) such Purchaser's Subscription Amount by wire transfer to the account designated in writing by the Company prior to the Closing Date; and

(iii) the Registration Rights Agreement duly executed by such Purchaser.

2.3 Closing Conditions.

(a) The obligations of the Company hereunder in connection with the Closing are subject to the following conditions being met:

(i) the accuracy in all material respects (or, to the extent representations or warranties are qualified by materiality or Material Adverse Effect, in all respects) on the Closing Date of the representations and warranties of the Purchasers contained herein (unless as of a specific date therein in which case they shall be accurate as of such date);

(ii) all obligations, covenants and agreements of each Purchaser required to be performed at or prior to the Closing Date shall have been performed;

(iii) the approval the TASE for the listing of the Shares thereon shall have been obtained; and

(iv) the delivery by each Purchaser of the items set forth in Section 2.2(b) of this Agreement.

(b) The respective obligations of the Purchasers hereunder in connection with the Closing are subject to the following conditions being met:

(i) the accuracy in all material respects (or, to the extent representations or warranties are qualified by materiality or Material Adverse Effect, in all respects) when made and on the Closing Date of the representations and warranties of the Company contained herein (unless as of a specific date therein in which case they shall be accurate as of such date);

(ii) all obligations, covenants and agreements of the Company required to be performed at or prior to the Closing Date shall have been performed;

(iii) the closing of the Acquisition shall have occurred;

(iv) the delivery by the Company of the items set forth in Section 2.2(a) of this Agreement;

(v) the approval of the TASE for the listing of the Shares thereon shall have been obtained;

(vi) the notices set forth in Section 3.1(e)(v) shall have been filed with Nasdaq;

(vii) there shall have been no Material Adverse Effect with respect to the Company since the date hereof; and

(viii) from the date hereof to the Closing Date, trading in the Ordinary Shares shall not have been suspended by the Commission or the Company's Principal Market, and, at any time prior to the Closing Date, trading in securities generally as reported by Bloomberg L.P. shall not have been suspended or limited, or minimum prices shall not have been established on securities whose trades are reported by such service, or on any Trading Market, nor shall a banking moratorium have been declared either by the United States or New York State authorities nor shall there have occurred any material outbreak or escalation of hostilities or other national or international calamity of such magnitude in its effect on, or any material adverse change in, any financial market in which the Company conducts material operations or the Company's revenues are materially dependent which, in each case, in the reasonable judgment of such Purchaser, makes it impracticable or inadvisable to purchase the Shares at the Closing.

Purchase Price Adjustment; True-up. In the event that, on the date that is nine (9) months after the Determination Date (or, if not a Trading Day, the next Trading Day) (the "**Measurement Date**"), the 15 day Weighted Average Price of an Ordinary Share, is less than 115% of the Per Share Purchase Price, then the Per Share Purchase Price shall retroactively be adjusted downward 1% for each whole 1% it is less than such price up to a maximum adjustment of 15%, and the Company shall issue to each Purchaser such number of additional Shares as is necessary so that such Purchaser, after receipt of such additional Shares, shall have received pursuant to this Agreement such aggregate number of Shares that it would have purchased at the Closing for its Subscription Price at such lower price per share, *provided*, *however*, that for purposes of such adjustment, any Shares that such Purchaser sold, disposed of or otherwise transferred, directly or indirectly (other than to an Affiliate of such Purchaser), on or prior to the Measurement Date shall be deemed as though such Shares were not purchased pursuant to this Agreement and, accordingly, the amount of the Subscription Price used to purchase such number of transferred Shares at the Closing shall be excluded from the foregoing computation. Notwithstanding anything to the contrary in this Agreement, the right of the Purchasers under this Section 2.4 shall not be assignable. For the avoidance of doubt, the Subscription Amount paid by each Purchaser constitutes payment for the Shares issued upon the Closing and any Shares issued pursuant to this Section 2.4, and all such Shares shall be fully paid and non-assessable.

ARTICLE III.
REPRESENTATIONS AND WARRANTIES

3.1 Representations and Warranties of the Company. Except as set forth in the Company's Annual Report on Form 20-F for the year ended December 31, 2014, filed with the Commission on April 16, 2015 or the Disclosure Schedules, which Disclosure Schedules shall be deemed a part hereof and shall qualify any representation or otherwise made herein to the extent of the disclosure contained in the corresponding section of the Disclosure Schedules, the Company hereby makes the following representations and warranties to each Purchaser:

(a) Subsidiaries. The Subsidiaries are the only direct and indirect subsidiaries of the Company. The Company owns, directly or indirectly, all of the capital stock or other equity interests of each Subsidiary free and clear of any Liens, and all of the issued and outstanding shares of capital stock of each Subsidiary are validly issued and are fully paid, non-assessable and free of preemptive and similar rights to subscribe for or purchase securities.

(b) Organization and Qualification. The Company and each of the Subsidiaries is an entity duly incorporated or otherwise organized, validly existing and in good standing (where such concept is recognized) under the laws of the jurisdiction of its incorporation or organization, with the requisite power and authority to own and use its properties and assets and to carry on its business as currently conducted. Neither the Company nor any Subsidiary is in violation nor default of any of the provisions of its respective certificate or articles of incorporation, bylaws or other organizational or charter documents. Each of the Company and the Subsidiaries is duly qualified to conduct business and is in good standing as a foreign corporation or other entity in each jurisdiction in which the nature of the business conducted or property owned by it makes such qualification necessary, except where the failure to be so qualified or in good standing, as the case may be, could not have or reasonably be expected to result in: (i) a material adverse effect on the legality, validity or enforceability of any Transaction Document, (ii) a material adverse effect on the results of operations, assets, business, or condition (financial or otherwise) of the Company and the Subsidiaries, taken as a whole, or (iii) a material adverse effect on the Company's ability to perform in any material respect on a timely basis its obligations under any Transaction Document (any of (i), (ii) or (iii), a "**Material Adverse Effect**") and no Proceeding has been instituted in any such jurisdiction revoking, limiting or curtailing or seeking to revoke, limit or curtail such power and authority or qualification. For the purpose of this Agreement, the term Material Adverse Effect shall not include any such effects resulting, directly or indirectly, from (i) the filing of the Registration Statement or the performance of the transactions contemplated by, or pursuant to the Transaction Documents, (ii) changes in GAAP or any applicable laws, (iii) changes in the industry in which the Company or any of the Subsidiaries operate, (iv) changes in general economic conditions or the financial or securities markets generally, or (v) any adverse change or effect that is cured by the Company prior to the Closing Date.

(c) Authorization; Enforcement. The Company has the requisite corporate power and authority to enter into and to consummate the transactions contemplated by this Agreement and the Registration Rights Agreement and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of each of this Agreement and the Registration Rights Agreement by the Company and the consummation by it of the transactions contemplated hereby and thereby have been duly authorized by all necessary action on the part of the Company and no further action is required by the Company, the Board of Directors or the Company's shareholders in connection herewith or therewith other than in connection with the Required Approvals. Each of this Agreement and Registration Rights Agreement has been (or upon delivery will have been) duly executed by the Company and, when delivered in accordance with the terms hereof and thereof, assuming due authorization, execution and delivery by the applicable Purchaser thereof, will constitute the valid and binding obligation of the Company enforceable against the Company in respect of such Purchaser in accordance with its terms, except: (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law or public policy.

(d) No Conflicts. The execution, delivery and performance by the Company of this Agreement and the Registration Rights Agreement, the issuance and sale of the Shares and the consummation by it of the transactions contemplated hereby and thereby do not and will not: (i) conflict with or violate any provision of the Company's or any Subsidiary's certificate or articles of incorporation, bylaws or other organizational or charter documents, (ii) conflict with, or constitute a default (or an event that with notice or lapse of time or both would become a default) under, result in the creation of any Lien upon any of the properties or assets of the Company or any Subsidiary, or give to others any rights of termination, amendment, acceleration or cancellation (with or without notice, lapse of time or both) of, any agreement, credit facility, debt or other instrument (evidencing a Company or Subsidiary debt or otherwise) or other understanding to which the Company or any Subsidiary is a party or by which any property or asset of the Company or any Subsidiary is bound or affected, or (iii) subject to the Required Approvals, conflict with or result in a violation of any law, rule, regulation, order, judgment, injunction, decree or other restriction of any court or governmental authority to which the Company or a Subsidiary is subject (including foreign, federal and state securities laws and regulations), or by which any property or asset of the Company or a Subsidiary is bound or affected; except in the case of each of clauses (ii) and (iii), such as could not have or reasonably be expected to result in a Material Adverse Effect.

(e) Filings, Consents and Approvals. The Company is not required to obtain any consent, waiver, authorization or order of, give any notice to, or make any filing or registration with, any court or other federal, state, local or other governmental authority or other Person in connection with the execution, delivery and performance by the Company of the Transaction Documents, other than: (i) the filings required pursuant to Section 4.4 of this Agreement, (ii) the filing of one or more registration statements with the Commission pursuant to the Registration Rights Agreement, (iii) the notice and/or application(s) to each applicable Trading Market for the issuance and sale of the Shares and the listing of the Shares and for trading thereon in the time and manner required thereby, (iv) the filing of Form D with the Commission and such filings as are required to be made under applicable state securities laws, (v) the filing of each of a Listing of Additional Shares and a notification of Change in Shares Outstanding with Nasdaq, (vi) approval of the TASE for the listing of the Shares thereon, and (vii) the filing of certain notices with the Bank of Israel following the Closing (collectively, the "**Required Approvals**").

(f) Issuance of the Shares. The Shares are duly authorized and, when issued and paid for in accordance with this Agreement, will be duly and validly issued, fully paid and nonassessable, free and clear of all Liens imposed by the Company other than restrictions on transfer provided for in the Transaction Documents.

(g) Capitalization. The capitalization of the Company is as set forth in Schedule 3.1(g). The Company has not issued any share capital since its most recently filed periodic report under the Exchange Act, other than pursuant to the exercise of employee stock options under the Company's stock option plans, the issuance of Ordinary Shares to employees pursuant to the Company's employee stock purchase plans and pursuant to the conversion and/or exercise of Ordinary Share Equivalents outstanding as of the date of the most recently filed periodic report under the Exchange Act. No Person has any right of first refusal, preemptive right, right of participation, or any similar right to participate in the transactions contemplated by the Transaction Documents. Except as set forth in Schedule 3.1(g), pursuant to the Company's stock plans, and as a result of the purchase and sale of the Shares, there are no outstanding options, warrants, scrip rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities, rights or obligations convertible into or exercisable or exchangeable for, or giving any Person any right to subscribe for or acquire any Ordinary Shares or the capital stock of any Subsidiary, or contracts, commitments, understandings or arrangements by which the Company or any Subsidiary is or may become bound to issue additional Ordinary Shares or Ordinary Share Equivalents or capital stock of any Subsidiary. The issuance and sale of the Shares will not obligate the Company or any Subsidiary to issue Ordinary Shares or other securities to any Person (other than the Purchasers) and will not result in a right of any holder of Company securities to adjust the exercise, conversion, exchange or reset price under any of such securities. Except as set forth in Schedule 3.1(g), there are no outstanding securities or instruments of the Company or any Subsidiary that contain any redemption or similar provisions, and there are no contracts, commitments, understandings or arrangements by which the Company or any Subsidiary is or may become bound to redeem a security of the Company or such Subsidiary. The company does not have any stock appreciation rights or "phantom stock" plans or any similar plan or agreement. All of the outstanding shares of capital stock of the Company are duly authorized, validly issued, fully paid and nonassessable, have been issued in compliance with all applicable foreign, federal and state securities laws, and none of such outstanding shares was issued in violation of any preemptive rights or similar rights to subscribe for or purchase securities. No further approval or authorization of any stockholder, the Board of Directors or others is required for the issuance and sale of the Shares. Except as set forth on Schedule 3.1(g), there are no shareholders agreements, voting agreements or other similar agreements with respect to the Company's capital stock to which the Company is a party or, to the knowledge of the Company, between or among any of the Company's shareholders.

(h) SEC Reports; TASE Reports; Financial Statements. The Company has filed all reports, schedules, forms, statements and other documents required to be filed by the Company under the Exchange Act, including pursuant to Section 13(a) or 15(d) thereof, for the two years preceding the date hereof (or such shorter period as the Company was required by law or regulation to file such material) (the foregoing materials, including the exhibits thereto and documents incorporated by reference therein, being collectively referred to herein as the "**SEC Reports**") on a timely basis or has received a valid extension of such time of filing and has filed any such SEC Reports prior to the expiration of any such extension. As of their respective dates, the SEC Reports complied in all material respects with the requirements of the Exchange Act, and none of the SEC Reports, when filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The Company has never been an issuer subject to Rule 144(i) under the Securities Act. The financial statements of the Company included in the SEC Reports comply in all material respects with applicable accounting requirements and the rules and regulations of the Commission with respect thereto as in effect at the time of filing. Such financial statements have been prepared in accordance with United States generally accepted accounting principles applied on a consistent basis during the periods involved ("**GAAP**"), except as may be otherwise specified in such financial statements or the notes thereto and except that unaudited financial statements may not contain all footnotes required by GAAP, and fairly present in all material respects the financial position of the Company and its consolidated Subsidiaries as of and for the dates thereof and the results of operations and cash flows for the periods then ended, subject, in the case of unaudited statements, to normal, immaterial, year-end audit adjustments.

The Company has filed all reports, schedules, forms, statements and other documents required to be filed by the Company under the Israeli Securities Law, for the two years preceding the date hereof (or such shorter period as the Company was required by law or regulation to file such material) (the foregoing materials, including the exhibits thereto and documents incorporated by reference therein, being collectively referred to herein as the "**TASE Reports**") on a timely basis or has received a valid extension of such time of filing and has filed any such TASE Reports prior to the expiration of any such extension. As of their respective dates, the TASE Reports complied in all material respects with the requirements of the Israeli Securities Law, and none of the TASE Reports, when filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(i) Material Changes; Undisclosed Events, Liabilities or Developments. Since the date of the latest audited financial statements included within the SEC Reports, except as specifically disclosed in Schedule 3.1(i): (i) there has been no event, occurrence or development that has had or that could reasonably be expected to result in a Material Adverse Effect, (ii) the Company has not incurred any material liabilities (contingent or otherwise) other than (A) trade payables and accrued expenses incurred in the ordinary course of business consistent with past practice and (B) liabilities not required to be reflected in the Company's financial statements pursuant to GAAP or disclosed in filings made with the Commission, (iii) the Company has not altered its method of accounting, (iv) the Company has not declared or made any dividend or distribution of cash or other property to its stockholders or purchased, redeemed or made any agreements to purchase or redeem any shares of its capital stock and (v) the Company has not issued any equity securities to any officer, director or Affiliate, except pursuant to existing Company stock option plans. The Company does not have pending before the Commission any request for confidential treatment of information. Except for the issuance of the Shares contemplated by this Agreement or as set forth in Schedule 3.1(i), no event, liability, fact, circumstance, occurrence or development has occurred or exists, or is reasonably expected to occur or exist, with respect to the Company or its Subsidiaries or their respective businesses, properties, operations, assets or financial condition, that would be required to be disclosed by the Company under applicable securities laws at the time this representation is made or deemed made that has not been publicly disclosed at least 1 Trading Day prior to the date that this representation is made.

(j) Litigation. Except as set forth in Schedule 3.1(j), there is no action, suit, inquiry, notice of violation, proceeding or investigation pending or, to the knowledge of the Company, threatened against or affecting the Company, any Subsidiary or any of their respective properties before or by any court, arbitrator, governmental or administrative agency or regulatory authority (federal, state, county, local or foreign) (collectively, an "**Action**") including any one that adversely affects or challenges the legality, validity or enforceability of any of the Transaction Documents or the Shares. Nothing on Schedule 3.1(j) is reasonably expected to result in a Material Adverse Effect. Neither the Company nor any Subsidiary, nor to the knowledge of the Company any director or officer thereof, is or has been the subject of any Action involving a claim of violation of or liability under federal or Israeli state securities laws or a claim of breach of fiduciary duty in the last five (5) years. There has not been, and to the knowledge of the Company, there is not pending or contemplated, any investigation by the Commission or the Israeli Securities Authority involving the Company or to the knowledge of the Company any current or former director or officer of the Company. The Commission or the Israeli Securities Authority has not issued any stop order or other order suspending the effectiveness of any registration statement filed by the Company or any Subsidiary under the Exchange Act, the Securities Act or the Israel Securities Law.

(k) Labor Relations. No labor dispute exists or, to the knowledge of the Company, is imminent with respect to any of the employees of the Company, which could reasonably be expected to result in a Material Adverse Effect. Except as set forth on Schedule 3.1(k), none of the Company's or its Subsidiaries' employees is a member of a union that relates to such employee's relationship with the Company or such Subsidiary, and neither the Company nor any of its Subsidiaries is a party to a collective bargaining agreement, and the Company and its Subsidiaries believe that their relationships with their employees are good. To the knowledge of the Company, no executive officer of the Company or any Subsidiary is, or is now expected to be, in violation of any material term of any employment contract, confidentiality, disclosure or proprietary information agreement or non-competition agreement, or any other contract or agreement or any restrictive covenant in favor of any third party, and the continued employment of each such executive officer does not subject the Company or any of its Subsidiaries to any liability with respect to any of the foregoing matters. The Company and its Subsidiaries are in compliance with all U.S. federal, state, local and foreign, including Israeli, laws and regulations relating to employment and employment practices, terms and conditions of employment and wages and hours, except where the failure to be in compliance could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(l) Compliance. Neither the Company nor any Subsidiary: (i) is in default under or in violation of (and no event has occurred that has not been waived that, with notice or lapse of time or both, would result in a default by the Company or any Subsidiary under), nor has the Company or any Subsidiary within the last five (5) years received notice of a claim that it is in default under or that it is in violation of, any indenture, loan or credit agreement or any other agreement or instrument to which it is a party or by which it or any of its properties is bound (whether or not such default or violation has been waived), (ii) is in violation of any judgment, decree, or order of any court, arbitrator or other governmental authority or (iii) is or has been in violation of any statute, rule, ordinance or regulation of any governmental authority, including without limitation all foreign, federal, state, (including Israeli) and local laws relating to taxes, occupational health and safety, product quality and safety and employment and labor matters, except in each case as could not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

(m) Environmental Laws. The Company and its Subsidiaries (i) are in compliance with all federal, state (including Israeli), local and foreign laws relating to pollution or protection of human health or the environment (including ambient air, surface water, groundwater, land surface or subsurface strata), including laws relating to emissions, discharges, releases or threatened releases of chemicals, pollutants, contaminants, or toxic or hazardous substances or wastes (collectively, "**Hazardous Materials**") into the environment, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials, as well as all authorizations, codes, decrees, demands, or demand letters, injunctions, judgments, licenses, notices or notice letters, orders, permits, plans or regulations, issued, entered, promulgated or approved thereunder ("**Environmental Laws**"); (ii) have received all permits licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses; and (iii) are in compliance with all terms and conditions of any such permit, license or approval, where in each such case the failure to so comply could be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect.

(n) Regulatory Permits. The Company and the Subsidiaries possess all certificates, authorizations and permits issued by the appropriate federal, state, local or foreign regulatory authorities necessary to conduct their respective businesses as described in the SEC Reports, except where the failure to possess such permits could not reasonably be expected to result in a Material Adverse Effect ("**Material Permits**"), and neither the Company nor any Subsidiary has received any notice of proceedings relating to the revocation or modification of any Material Permit.

(o) Title to Assets. The Company and the Subsidiaries have good and marketable title in fee simple to all real property owned by them and good and marketable title in all personal property owned by them that is material to the business of the Company and the Subsidiaries, in each case free and clear of all Liens, except for (i) Liens created under license or collaboration agreements relating to the Company's products or Intellectual Property Rights, (ii) Liens as do not materially affect the value of such property and do not materially interfere with the use made and proposed to be made of such property by the Company and the Subsidiaries and (iii) Liens for the payment of federal, state or other taxes, for which appropriate reserves have been made therefor in accordance with GAAP and the payment of which is neither delinquent nor subject to penalties. Any real property and facilities held under lease by the Company and the Subsidiaries are held by them under valid, subsisting and enforceable leases with which the Company and the Subsidiaries are in compliance.

(p) Intellectual Property. The Company and the Subsidiaries have, or have rights to use, all patents, patent applications, trademarks, trademark applications, service marks, trade names, trade secrets, inventions, copyrights, licenses and other intellectual property rights and similar rights as described in the SEC Reports as necessary or required for use in connection with their respective businesses and which the failure to so have could have a Material Adverse Effect (collectively, the "**Intellectual Property Rights**"). None of, and neither the Company nor any Subsidiary has received a notice (written or otherwise) that any of, the Intellectual Property Rights has expired, terminated or been abandoned, or is expected to expire or terminate or be abandoned, within two (2) years from the date of this Agreement. Neither the Company nor any Subsidiary has received, since the date of the latest audited financial statements included within the SEC Reports, a written notice of a claim or otherwise has any knowledge that the Intellectual Property Rights violate or infringe upon the rights of any Person, except as could not reasonably be expected to have a Material Adverse Effect. To the knowledge of the Company, all such Intellectual Property Rights are enforceable and there is no existing infringement by another Person of any of the Intellectual Property Rights. The Company and its Subsidiaries have taken reasonable security measures to protect the secrecy, confidentiality and value of all of their intellectual properties, except where failure to do so could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(q) Insurance. The Company and the Subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which the Company and the Subsidiaries are engaged, including, but not limited to, directors and officers insurance coverage at least equal to the aggregate Subscription Amount. Neither the Company nor any Subsidiary has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business without a significant increase in cost.

(r) Transactions With Affiliates and Employees. Except as set forth in Schedule 3.1(r), to the knowledge of the Company, none of the officers, directors or employees of the Company or any Subsidiary is presently a party to any transaction with the Company or any Subsidiary (other than for services as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, providing for the borrowing of money from or lending of money to or otherwise requiring payments to or from any officer, director or such employee or, to the knowledge of the Company, any entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee, stockholder, member or partner, in each case in excess of $120,000 other than for: (i) payment of salary or consulting fees for services rendered, (ii) reimbursement for expenses incurred on behalf of the Company and (iii) other employee benefits, including stock option agreements under any stock option plan of the Company.

(s) Sarbanes-Oxley; Internal Accounting Controls. The Company and the Subsidiaries are in compliance with any and all applicable requirements of the Sarbanes-Oxley Act of 2002 that are effective as of the date hereof, and any and all applicable rules and regulations promulgated by the Commission thereunder that are effective as of the date hereof and as of the Closing Date. The Company maintains a system of internal accounting controls sufficient to provide reasonable assurance that: (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management's general or specific authorization, and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. The Company has established disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Company and the Subsidiaries and designed such disclosure controls and procedures to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. The Company's certifying officers have evaluated the effectiveness of the disclosure controls and procedures of the Company as of December 31, 2014 (such date, the "**Evaluation Date**"). The Company presented in its Annual Report on Form 20-F for the year ended December 31, 2014 the conclusions of the certifying officers about the effectiveness of the disclosure controls and procedures based on their evaluations as of the Evaluation Date. Since the Evaluation Date, there have been no changes in the internal control over financial reporting (as such term is defined in the Exchange Act) of the Company and its Subsidiaries that have materially affected, or is reasonably likely to materially affect, the internal control over financial reporting of the Company.

(t) Certain Fees. Except as set forth on Schedule 3.1(t), no brokerage or finder's fees or commissions are or will be payable by the Company or any Subsidiary to any broker, financial advisor or consultant, finder, placement agent, investment banker, bank or other Person with respect to the transactions contemplated by the Transaction Documents. The Purchasers shall have no obligation with respect to any fees or with respect to any claims made by or on behalf of other Persons for fees of a type contemplated in this Section that may be due in connection with the transactions contemplated by the Transaction Documents.

(u) Private Placement. Assuming the accuracy of the Purchasers' representations and warranties set forth in Section 3.2, no registration under the Securities Act or the Israeli Securities Law is required for the offer and sale of the Shares by the Company to the Purchasers as contemplated hereby. The issuance and sale of the Shares hereunder does not contravene the rules and regulations of the Trading Market.

(v) Investment Company. The Company is not, and is not an Affiliate of, and immediately after receipt of payment for the Shares, will not be or be an Affiliate of, an "investment company" within the meaning of the Investment Company Act of 1940, as amended. The Company shall conduct its business in a manner so that it will not become an "investment company" subject to registration under the Investment Company Act of 1940, as amended.

(w) Registration Rights. Other than each of the Purchasers and except as set forth on Section 3.1(w) of the Disclosure Schedules, no Person has any right to cause the Company to effect the registration under the Securities Act of any securities of the Company or any Subsidiary.

(x) Listing and Maintenance Requirements. The Ordinary Shares are registered pursuant to Section 12(b) or 12(g) of the Exchange Act, and the Company has taken no action designed to, or which to its knowledge is likely to have the effect of, terminating the registration of the Ordinary Shares under the Exchange Act nor has the Company received any notification that the Commission is contemplating terminating such registration. The Company has not, in the 12 months preceding the date hereof, received notice from any Trading Market on which the Ordinary Shares are or have been listed or quoted to the effect that the Company is not in compliance with the listing or maintenance requirements of such Trading Market. After giving effect to the receipt by the Company of the proceeds from the sale of the Shares hereunder, the Company is, and has no reason to believe that it will not in the foreseeable future continue to be, in compliance with all such listing and maintenance requirements. The Ordinary Shares are currently eligible for electronic transfer through the Depository Trust Company or another established clearing corporation and the Company is current in payment of the fees to the Depository Trust Company (or such other established clearing corporation) in connection with such electronic transfer.

(y) Application of Takeover Protections. The Company and the Board of Directors have taken all necessary action, if any, in order to render inapplicable any control share acquisition, business combination, poison pill (including any distribution under a rights agreement) or other similar anti-takeover provision under the Company's certificate of incorporation (or similar charter documents) or the laws of its state of incorporation that is or could become applicable to the Purchasers as a result of the Purchasers and the Company fulfilling their obligations or exercising their rights under the Transaction Documents, including without limitation as a result of the Company's issuance of the Shares and the Purchasers' ownership of the Shares.

(z) Disclosure. Except with respect to the material terms and conditions of the transactions contemplated by the Transaction Documents, the Company confirms that neither it nor any other Person acting on its behalf has provided any of the Purchasers or their agents or counsel with any information that it believes constitutes or might constitute material, non-public information. The Company understands and confirms that the Purchasers will rely on the foregoing representation in effecting transactions in securities of the Company. All of the disclosure furnished by or on behalf of the Company to the Purchasers regarding the Company and its Subsidiaries, their respective businesses and the transactions contemplated hereby, including the Disclosure Schedules to this Agreement, is true and correct in all material respects and does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. The press releases disseminated by the Company during the twelve months preceding the date of this Agreement taken as a whole do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made and when made, not misleading. The Company acknowledges and agrees that no Purchaser makes or has made any representations or warranties with respect to the transactions contemplated hereby other than those specifically set forth in Section 3.2 hereof.

(aa) No Integrated Offering. Assuming the accuracy of the Purchasers' representations and warranties set forth in Section 3.2, neither the Company, nor any of its Affiliates, nor any Person acting on its or their behalf has, directly or indirectly, made any offers or sales of any security or solicited any offers to buy any security, under circumstances that would cause this offering of the Shares to be integrated with prior offerings by the Company for purposes of (i) the Securities Act which would require the registration of any such securities under the Securities Act, or (ii) any applicable shareholder approval provisions of any Trading Market on which any of the securities of the Company are listed or designated.

(bb) Tax Status. Except as set forth in Schedule 3.1(bb), the Company and its Subsidiaries each (i) has made or filed all United States federal, state and local income and all foreign (including Israel) income and franchise tax returns, reports and declarations required by any jurisdiction to which it is subject, (ii) has paid all taxes and other governmental assessments and charges that are material in amount, shown or determined to be due on such returns, reports and declarations and (iii) has set aside on its books provision reasonably adequate for the payment of all material taxes for periods subsequent to the periods to which such returns, reports or declarations apply. There are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and the officers of the Company or of any Subsidiary know of no basis for any such claim.

(cc) No General Solicitation. Neither the Company nor any Person acting on behalf of the Company has offered or sold any of the Shares by any form of general solicitation or general advertising. The Company has offered the Shares for sale only to the Purchasers and certain other "accredited investors" within the meaning of Rule 501 under the Securities Act.

(dd) Foreign Corrupt Practices. Neither the Company nor any of its Subsidiaries nor any director, officer or employee of the Company or any of its Subsidiaries nor, to the knowledge of the Company, any agent, affiliate or other person associated with or acting on behalf of the Company or any of its Subsidiaries has (i) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity; (ii) made or taken an act in furtherance of an offer, promise or authorization of any direct or indirect unlawful payment or benefit to any foreign or domestic government official or employee, including of any government-owned or controlled entity or of a public international organization, or any person acting in an official capacity for or on behalf of any of the foregoing, or any political party or party official or candidate for political office; (iii) violated or is in violation of any provision of the Foreign Corrupt Practices Act of 1977, as amended (the "**FCPA**", or any applicable law or regulation implementing the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, or committed an offence under the Bribery Act 2010 of the United Kingdom or any other applicable anti-bribery or anti-corruption law; or (iv) made, offered, agreed, requested or taken an act in furtherance of any unlawful bribe or other unlawful benefit, including, without limitation, any rebate, payoff, influence payment, kickback or other unlawful or improper payment or benefit. The Company and its Subsidiaries have instituted, maintain and enforce, and will continue to maintain and enforce policies and procedures designed to promote and ensure compliance with all applicable anti-bribery and anti-corruption laws.

(ee) Accountants. The Company's independent registered public accounting firm is Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global ("**KFGK**"). To the knowledge and belief of the Company, such accounting firm: (i) is a registered public accounting firm as required by the Exchange Act and (ii) shall express its opinion with respect to the financial statements to be included in the Company's Annual Report on Form 20-F for the fiscal year ending December 31, 2015. There are no disagreements of any kind presently existing, or reasonably anticipated by the Company to arise, between the Company and KFGK.

(ff) Acknowledgment Regarding Purchasers' Purchase of Shares. The Company acknowledges and agrees that each of the Purchasers is acting solely in the capacity of an arm's length purchaser with respect to the Transaction Documents and the transactions contemplated thereby. The Company further acknowledges that no Purchaser is acting as a financial advisor or fiduciary of the Company (or in any similar capacity) with respect to the Transaction Documents and the transactions contemplated thereby. The Company further represents to each Purchaser that the Company's decision to enter into this Agreement and the other Transaction Documents has been based solely on the independent evaluation of the transactions contemplated hereby by the Company and its representatives.

(gg) Acknowledgment Regarding Purchaser's Trading Activity. Anything in this Agreement or elsewhere herein to the contrary notwithstanding (except for Sections 3.2(h) and 4.13 hereof), it is understood and acknowledged by the Company that none of the Purchasers has been asked by the Company to agree, nor has any Purchaser agreed, to desist from purchasing or selling, long and/or short, securities of the Company, or "derivative" securities based on securities issued by the Company or to hold the Shares for any specified term.

(hh) Regulation M Compliance. The Company has not, and to its knowledge no one acting on its behalf has, (i) taken, directly or indirectly, any action designed to cause or to result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of any of the Shares, (ii) sold, bid for, purchased, or paid any compensation for soliciting purchases of, any of the Shares, or (iii) paid or agreed to pay to any Person any compensation for soliciting another to purchase any other securities of the Company, other than, in the case of clauses (ii) and (iii), compensation paid to the Company's placement agent in connection with the placement of the Shares.

(ii) Compliance with Privacy Laws. All data which has been collected, stored, maintained or otherwise used by the Company and any of its Subsidiaries has been collected, stored, maintained and used in accordance in all material respects with all applicable U.S. and Israeli laws, rules, regulations, guidelines and industry standards. Neither the Company nor its Subsidiaries has received a notice of noncompliance with applicable data protection laws, rules, regulations, guidelines or industry standards. The Company and its Subsidiaries have made all material registrations in the United States and Israel that the Company and its Subsidiaries are required to have made in relation to the processing of data, and are in good standing with respect to such registrations.

The Company's and its Subsidiaries' practices are, and have always been, in compliance with (i) their then-current privacy policy, including the privacy policy posted on Company's and its Subsidiaries' Web sites, and (ii) to the knowledge of the Company, their customers' privacy policies, when required to do so by contract. The Company and its Subsidiaries have conducted their businesses and maintained their data at all times in accordance with all applicable Israeli and U.S. Federal, state and other Laws, including but not limited to those relating to the use of information collected from or about consumers.

(jj) Form F-3 Eligibility. The Company is eligible to register the resale of the Shares for resale by the Purchaser on Form F-3 promulgated under the Securities Act.

(kk) Stock Option Plans. Each stock option granted by the Company under the Company's stock option plan was granted (i) in accordance with the terms of the Company's stock option plan and (ii) in accordance with applicable law. No stock option granted under the Company's stock option plan has been backdated. The Company has not knowingly granted, and there is no and has been no Company policy or practice to knowingly grant, stock options prior to, or otherwise knowingly coordinate the grant of stock options with, the release or other public announcement of material information regarding the Company or its Subsidiaries or their financial results or prospects.

(ll) No Conflicts with Sanctions Laws. Neither the Company nor any of its Subsidiaries, directors, officers, or employees, nor, to the knowledge of the Company, any agent, affiliate or other person associated with or acting on behalf of the Company or any of its subsidiaries is currently the subject or the target of any sanctions administered or enforced by the U.S. government, (including, without limitation, the Office of Foreign Assets Control of the U.S. Department of the Treasury ("**OFAC**") or the U.S. Department of State and including, without limitation, the designation as a "specially designated national" or "blocked person"), the United Nations Security Council ("**UNSC**"), the European Union, Her Majesty's Treasury ("**HMT**") or other relevant sanctions authority (including those of Israel) (collectively, "**Sanctions**"), nor is the Company, any of its Subsidiaries located, organized or resident in a country or territory that is the subject or target of Sanctions, including, without limitation, Cuba, Iran, North Korea, Crimea, Sudan and Syria (each, a "**Sanctioned Country**"); and the Company will not directly or indirectly use the proceeds of the offering of the Shares hereunder, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other person or entity (i) to fund or facilitate any activities of or business with any person that, at the time of such funding or facilitation, is the subject or target of Sanctions, (ii) to fund or facilitate any activities of or business in any Sanctioned Country or (iii) in any other manner that will result in a violation by any person (including any person participating in the transaction, whether as underwriter, advisor, investor or otherwise) of Sanctions. For the past five years, the Company and its Subsidiaries have not knowingly engaged in and are not now knowingly engaged in any dealings or transactions with any person that at the time of the dealing or transaction is or was the subject or the target of Sanctions or with any Sanctioned Country.

(mm) Compliance with Anti-Money Laundering Laws. The operations of the Company and its Subsidiaries are and have been conducted at all times in compliance with applicable financial recordkeeping and reporting requirements, including those of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the applicable money laundering statutes of all jurisdictions where the Company or any of its subsidiaries conducts business, the rules and regulations thereunder and any related or similar rules, regulations or guidelines issued, administered or enforced by any governmental agency (collectively, the "**Anti-Money Laundering Laws**") and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its subsidiaries with respect to the Anti-Money Laundering Laws is pending or, to the knowledge of the Company, threatened.

(nn) No Disqualification Events. With respect to the Shares to be offered and sold hereunder in reliance on Rule 506 under the Securities Act, none of the Company, any of its predecessors, any affiliated issuer, nor to the knowledge of the Company any director, executive officer, other officer of the Company participating in the offering hereunder, any beneficial owner of 20% or more of the Company's outstanding voting equity securities, calculated on the basis of voting power, nor any promoter (as that term is defined in Rule 405 under the Securities Act) connected with the Company in any capacity at the time of sale (each, an "**Issuer Covered Person**" and, together, "**Issuer Covered Persons**") is subject to any of the "Bad Actor" disqualifications described in Rule 506(d)(1)(i) to (viii) under the Securities Act (a "**Disqualification Event**"), except for a Disqualification Event covered by Rule 506(d)(2) or (d)(3). The Company has exercised reasonable care to determine whether any Issuer Covered Person is subject to a Disqualification Event. The Company has complied, to the extent applicable, with its disclosure obligations under Rule 506(e), and has furnished to the Purchasers a copy of any disclosures provided thereunder.

(oo) Other Covered Persons. Other than the Placement Agent, the Company is not aware of any Person (other than any Issuer Covered Person) that has been or will be paid (directly or indirectly) remuneration for solicitation of purchasers in connection with the sale of any Regulation D Shares. The Company will not pay any of its officers, directors or employees any special compensation in connection with the transactions contemplated by the Transaction Documents.

(pp) Notice of Disqualification Events. The Company will notify the Purchasers and the Placement Agent in writing, prior to the Closing Date of (i) any Disqualification Event relating to any Issuer Covered Person and (ii) any event that would, with the passage of time, become a Disqualification Event relating to any Issuer Covered Person.

(qq) Israeli Government Incentives. Neither the Company nor any of its Subsidiaries has received or applied for any governmental grant or other financing from any government body, including without limitation the Israeli Investment Center and the OCS.

3.2 Representations and Warranties of the Purchasers. Each Purchaser, for itself and for no other Purchaser, hereby represents and warrants as of the date hereof and as of the Closing Date to the Company as follows (unless as of a specific date therein in which case they shall be accurate as of such date):

(a) Organization; Authority. Such Purchaser is an entity duly incorporated or formed, validly existing and in good standing under the laws of the jurisdiction of its incorporation or formation with full right, corporate, partnership, limited liability company or similar power and authority to enter into and to consummate the transactions contemplated by the Transaction Documents and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of the Transaction Documents and performance by such Purchaser of the transactions contemplated by the Transaction Documents have been duly authorized by all necessary corporate, partnership, limited liability company or similar action, as applicable, on the part of such Purchaser. Each Transaction Document to which it is a party has been duly executed by such Purchaser, and when delivered by such Purchaser in accordance with the terms hereof, will constitute the valid and legally binding obligation of such Purchaser, enforceable against it in accordance with its terms, except: (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.

(b) No Conflicts. The execution, delivery and performance by such Purchaser of the Transaction Documents and the consummation by it of the transactions contemplated hereby and thereby to which it is a party do not and will not (i) conflict with or violate any provision of such Purchaser's certificate or articles of incorporation, bylaws or other organizational or charter documents, or (ii) conflict with or result in a violation of any law, rule, regulation, order, judgment, injunction, decree or other restriction of any court or governmental authority to which such Purchaser is subject (including federal and state securities laws and regulations), or by which any property or asset of such Purchaser is bound or affected except, in the case of each of clause (ii), such as would not reasonably be expected to have a material adverse effect on such Purchaser's ability to perform in any material respect its obligations under any Transaction Documents.

(c) No Proceedings. There is no Proceeding pending and, to the knowledge of such Purchaser, no person has threatened to commence any Proceeding that may have an adverse effect on the ability of the Purchaser to consummate the Transactions or to comply with or perform any of the Purchaser's covenants or obligations under any of the Transaction Documents.

(d) Own Account. Such Purchaser understands that the Shares are "restricted securities" and have not been registered under the Securities Act or any applicable state securities law and is acquiring the Shares as principal for its own account and not with a view to or for distributing or reselling such Shares or any part thereof in violation of the Securities Act or any applicable state securities law, has no present intention of distributing any of such Shares in violation of the Securities Act or any applicable state securities law and has no direct or indirect arrangement or understandings with any other persons to distribute or regarding the distribution of such Shares in violation of the Securities Act or any applicable state securities law (this representation and warranty not limiting such Purchaser's right to sell the Shares pursuant to the Registration Statement or otherwise in compliance with applicable foreign, federal and state securities laws, subject to the above). Such Purchaser is acquiring the Shares hereunder in the ordinary course of its business.

(e) Purchaser Status. At the time such Purchaser was offered the Shares, it was, and as of the date hereof it is, and on the Closing Date it will (i) be an "accredited investor" as defined in Rule 501 under the Securities Act, (ii) not be in Israel or an Israeli citizen, corporation or resident, or controlled by an Israeli citizen, corporation or resident and (iii) not be related to any officer or director of the Company. Without derogating from the above, following the issuance of the Shares, the purchaser will not hold (in accordance with the term "holding" in the Israeli Securities Law), either alone or in cooperation with other(s), either directly or indirectly, through a trustee or in any other way, 25% or more of the Company's issued share capital or voting rights.

(f) Experience of Such Purchaser. Such Purchaser, either alone or together with its representatives, has such knowledge, sophistication and experience in business and financial matters so as to be capable of evaluating the merits and risks of the prospective investment in the Shares, and has so evaluated the merits and risks of such investment. Such Purchaser is able to bear the economic risk of an investment in the Shares and, at the present time, is able to afford a complete loss of such investment.

(g) General Solicitation. Such Purchaser is not purchasing the Shares as a result of any advertisement, article, notice or other communication regarding the Shares published in any newspaper, magazine or similar media or broadcast over television or radio or presented at any seminar or, to its knowledge, any other general solicitation or general advertisement.

(h) Access to Information. Such Purchaser acknowledges that it has had the opportunity to review the Transaction Documents (including all exhibits and schedules thereto) and the SEC Reports and has been afforded (i) the opportunity to ask such questions as it has deemed necessary of, and to receive answers from, representatives of the Company concerning the terms and conditions of the offering of the Shares and the merits and risks of investing in the Shares; (ii) access to information about the Company and its financial condition, results of operations, business, properties, management and prospects sufficient to enable it to evaluate its investment; and (iii) the opportunity to obtain such additional information that the Company possesses or can acquire without unreasonable effort or expense that is necessary to make an informed investment decision with respect to the investment, and has sought such accounting, legal and tax advice as it has considered necessary to make an informed decision as to its purchase of the Shares hereunder.

The Company acknowledges and agrees that the representations contained in this Section 3.2 shall not modify, amend or affect such Purchaser's right to rely on the Company's representations and warranties contained in this Agreement or any representations and warranties contained in any other Transaction Document or any other document or instrument executed and/or delivered in connection with this Agreement or the consummation of the transaction contemplated hereby.

ARTICLE IV.
OTHER AGREEMENTS OF THE PARTIES

4.1 Transfer Restrictions.

(a) The Shares may only be disposed of in compliance with state and federal securities laws. In connection with any transfer of Shares other than pursuant to an effective registration statement or Rule 144, to the Company or to an Affiliate of a Purchaser or in connection with a pledge as contemplated in Section 4.1(b), the Company may require the transferor thereof to provide to the Company an opinion of counsel selected by the transferor and reasonably acceptable to the Company, the form and substance of which opinion shall be reasonably satisfactory to the Company, to the effect that such transfer does not require registration of such transferred Shares under the Securities Act. As a condition of transfer, any such transferee shall agree in writing to be bound by the terms of this Agreement and shall have the rights and obligations of a Purchaser under this Agreement.

(b) The Purchasers agree to the imprinting, so long as is required by this Section 4.1, of a legend on any of the Shares in the following form:

THIS SECURITY HAS NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS. THIS SECURITY MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT WITH A REGISTERED BROKER-DEALER OR OTHER LOAN WITH A FINANCIAL INSTITUTION THAT IS AN "ACCREDITED INVESTOR" AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT OR OTHER LOAN SECURED BY SUCH SECURITIES.

The Company acknowledges and agrees that a Purchaser may from time to time pledge pursuant to a bona fide margin agreement with a registered broker-dealer or grant a security interest in some or all of the Shares to a financial institution that is an "accredited investor" as defined in Rule 501(a) under the Securities Act and, if required under the terms of such arrangement, such Purchaser may transfer pledged or secured Shares to the pledgees or secured parties, *provided* that as a condition of transfer any such transferee shall agree in writing to be bound by the terms of this Agreement and shall have the rights and obligations of a Purchaser under this Agreement. Such a pledge or transfer would not be subject to approval of the Company and no legal opinion of legal counsel of the pledgee, secured party or pledgor shall be required in connection therewith. At the appropriate Purchaser's expense, the Company will execute and deliver such reasonable documentation as a pledgee or secured party of Shares may reasonably request in connection with a pledge or transfer of the Shares, including, if the Shares are subject to registration pursuant to the Registration Rights Agreement, the preparation and filing of any required prospectus supplement under Rule 424(b)(3) under the Securities Act or other applicable provision of the Securities Act to appropriately amend the list of Selling Stockholders (as defined in the Registration Rights Agreement) thereunder.

(c) Certificates evidencing the Shares shall not contain any legend (including the legend set forth in Section 4.1(b) hereof), (i) when such Shares are proposed to be sold while a registration statement (including the Registration Statement) covering the resale of such security is effective under the Securities Act, (ii) following any sale of such Shares pursuant to Rule 144, (iii) if such Shares are eligible for sale under Rule 144, without the requirement for the Company to be in compliance with the current public information required under Rule 144 as to such Shares and without volume or manner-of-sale restrictions, or (iv) if such legend is not required under applicable requirements of the Securities Act (including judicial interpretations and pronouncements issued by the staff of the Commission). The Company shall cause its counsel to issue a legal opinion to the Transfer Agent promptly after the Effective Date if required by the Transfer Agent to effect the removal of the legend hereunder. The Company agrees that following the Effective Date or at such time as such legend is no longer required under this Section 4.1(c), it will, no later than three Trading Days following the delivery by a Purchaser to the Company or the Transfer Agent of a certificate representing Shares, as the case may be, issued with a restrictive legend (such third Trading Day, the "**Legend Removal Date**"), deliver or cause to be delivered to such Purchaser a certificate representing such shares that is free from all restrictive and other legends. The Company may not make any notation on its records or give instructions to the Transfer Agent that enlarge the restrictions on transfer set forth in this Section 4. Certificates for Shares subject to legend removal hereunder shall be transmitted by the Transfer Agent to the Purchaser by crediting the account of the Purchaser's prime broker with the Depository Trust Company System as directed by such Purchaser.

(d) Each Purchaser, severally and not jointly with the other Purchaser(s), agrees with the Company that such Purchaser will sell all Shares pursuant to either the registration requirements of the Securities Act, including any applicable prospectus delivery requirements, or an exemption therefrom, and that if Shares are sold pursuant to a Registration Statement, they will be sold in compliance with the plan of distribution set forth therein, and acknowledges that the removal of the restrictive legend from certificates representing Shares as set forth in this Section 4.1 is predicated upon the Company's reliance upon this understanding.

4.2 Furnishing of Information; Public Information.

Until the time that no Purchaser owns Shares, the Company covenants to use commercially reasonable efforts to maintain the registration of the Ordinary Shares under Section 12(b) or 12(g) of the Exchange Act and to timely file (or obtain extensions in respect thereof and file within the applicable grace period) all reports required to be filed by the Company after the date hereof pursuant to the Exchange Act even if the Company is not then subject to the reporting requirements of the Exchange Act.

(a) At any time during the period commencing from the six (6) month anniversary of the date hereof and ending at such time that all of the Shares may be sold without the requirement for the Company to be in compliance with Rule 144(c)(1) and otherwise without restriction or limitation pursuant to Rule 144, if the Company (i) shall fail for any reason to satisfy the current public information requirement under Rule 144(c) or (ii) has ever been an issuer described in Rule 144(i)(1)(i) or becomes such an issuer in the future, and the Company shall fail to satisfy any condition set forth in Rule 144(i)(2) (a "**Public Information Failure**") then, in addition to such Purchaser's other available remedies, the Company shall pay to a Purchaser, in cash, as partial liquidated damages and not as a penalty, by reason of any such delay in or reduction of its ability to sell the Shares, an amount in cash equal to one percent (1.0%) of the aggregate Subscription Amount of such Purchaser's Shares on the day of a Public Information Failure and on every thirtieth (30th) day (*prorated* for periods totaling less than thirty days) thereafter until the earlier of (a) the date such Public Information Failure is cured and (b) such time that such public information is no longer required for the Purchasers to transfer the Shares pursuant to Rule 144, *provided, however*, that the parties agree that the maximum aggregate cumulative liquidated damages payable by the Company to any Purchaser hereunder and pursuant to Section 2(d) of the Registration Rights Agreement during any thirty (30) day period shall be an amount in cash equal to one percent (1.0%) of the aggregate Subscription Amount of such Purchaser's Shares. The payments to which a Purchaser shall be entitled pursuant to this Section 4.2(b) are referred to herein as "**Public Information Failure Payments**." Public Information Failure Payments shall be paid on the earlier of (i) the last day of the calendar month during which such Public Information Failure Payments are incurred and (ii) the third (3rd) Business Day after the event or failure giving rise to the Public Information Failure Payments is cured. The parties agree that the maximum aggregate liquidated damages payable by the Company to a Holder hereunder, together with the maximum aggregate cumulative liquidated damages payable by the Company to a Holder hereunder and pursuant to Section 2(d) of the Registration Rights Agreement, shall be 10% of the aggregate Subscription Amount paid by such Holder pursuant to this Agreement.

4.3 Integration. The Company shall not sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in Section 2 of the Securities Act) that would be integrated with the offer or sale of the Shares in a manner that would require the registration under the Securities Act of the sale of the Shares or that would be integrated with the offer or sale of the Shares for purposes of the rules and regulations of any Trading Market such that it would require shareholder approval prior to the closing of such other transaction unless shareholder approval is obtained before the closing of such subsequent transaction.

4.4 Securities Laws Disclosure; Publicity. The Company shall (a) before 9:30 a.m. (New York City time) on the Trading Day immediately following the date hereof, issue a press release disclosing the material terms of the transactions contemplated hereby, and (b) file a Report on Form 6-K, including the Transaction Documents as exhibits thereto, with the Commission and the TASE within the time required by the Exchange Act and the Israeli Securities Law, respectively. From and after the issuance of such press release, the Company represents to the Purchasers that it shall have publicly disclosed all material, non-public information delivered to any of the Purchasers by the Company or any of its Subsidiaries, or any of their respective officers, directors, employees or agents in connection with the transactions contemplated by the Transaction Documents. In addition, effective upon the issuance of such press release, the Company acknowledges and agrees that any and all confidentiality or similar obligations under any agreement, whether written or oral, between the Company, any of its Subsidiaries or any of their respective officers, directors, agents, employees or Affiliates on the one hand, and any of the Purchasers or any of their Affiliates on the other hand, shall terminate. The Company and each Purchaser shall consult with each other in issuing any other press releases with respect to the transactions contemplated hereby, and neither the Company nor any Purchaser shall issue any such press release nor otherwise make any such public statement without the prior consent of the Company, with respect to any press release of any Purchaser, or without the prior consent of each Purchaser, with respect to any press release of the Company, which consent shall not unreasonably be withheld or delayed, except if such disclosure is required by law, in which case the disclosing party shall promptly provide the other party with prior notice of such public statement or communication.

Notwithstanding the foregoing, the Company shall not publicly disclose the name of any Purchaser, or include the name of any Purchaser in any filing with the Commission or any regulatory agency or Trading Market, without the prior written consent of such Purchaser, except: (a) as required by federal securities law in connection with (i) any registration statement contemplated by the Registration Rights Agreement and (ii) the filing of final Transaction Documents with the Commission and (b) to the extent such disclosure is required by law or Trading Market regulations, in which case the Company shall provide the Purchasers with prior notice of such disclosure permitted under this clause (b).

4.5 Shareholder Rights Plan. Subject to the representation and warranty of the Purchasers under the last sentence of Section 3.2(d), no claim will be made or enforced by the Company or, with the consent of the Company, any other Person, that any Purchaser is an "Acquiring Person" under any control share acquisition, business combination, poison pill (including any distribution under a rights agreement) or similar anti-takeover plan or arrangement in effect or hereafter adopted by the Company, or that any Purchaser could be deemed to trigger the provisions of any such plan or arrangement, by virtue of receiving Shares under the Transaction Documents or under any other agreement between the Company and the Purchasers.

4.6 Non-Public Information. Except with respect to the material terms and conditions of the transactions contemplated by the Transaction Documents, which shall be disclosed pursuant to Section 4.4, the Company covenants and agrees that neither it, nor any other Person acting on its behalf will provide any Purchaser or its agents or counsel with any information that constitutes, or the Company reasonably believes constitutes, material non-public information, unless prior thereto such Purchaser shall have consented to the receipt of such information and agreed with the Company to keep such information confidential. The Company understands and confirms that each Purchaser shall be relying on the foregoing covenant in effecting transactions in securities of the Company. To the extent that the Company delivers any material, non-public information to a Purchaser without such Purchaser's consent, the Company hereby covenants and agrees that such Purchaser shall not have any duty of confidentiality to Company, any of its Subsidiaries, or any of their respective officers, directors, agents, employees or Affiliates, or a duty to the Company, and of its Subsidiaries or any of their respective officers, directors, agents, employees or Affiliates not to trade on the basis of, such material, non-public information, provided that the Purchaser shall remain subject to applicable law. To the extent that any notice provided pursuant to any Transaction Document constitutes, or contains, material, non-public information regarding the Company or any Subsidiaries, the Company shall simultaneously file such notice with the Commission pursuant to a Current Report on Form 6-K.The Company understands and confirms that each Purchaser shall be relying on the foregoing covenant in effecting transactions in securities of the Company.

4.7 Use of Proceeds. The Company shall use the net proceeds from the sale of the Shares hereunder for working capital purposes and shall not use such proceeds: (a) for the satisfaction of any portion of the Company's outstanding debt (other than payment of trade payables in the ordinary course of the Company's business and prior practices), (b) for the redemption of any Ordinary Shares or Ordinary Share Equivalents, (c) for the settlement of any outstanding litigation or (d) in violation of FCPA or OFAC regulations.

4.8 Indemnification of Purchasers. Subject to the provisions of this Section 4.8, the Company will indemnify and hold each Purchaser and its directors, officers, shareholders, members, partners, employees and agents (and any other Persons with a functionally equivalent role of a Person holding such titles notwithstanding a lack of such title or any other title), each Person who controls such Purchaser (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act), and the directors, officers, shareholders, agents, members, partners or employees (and any other Persons with a functionally equivalent role of a Person holding such titles notwithstanding a lack of such title or any other title) of such controlling persons (each, a "**Purchaser Party**") harmless from and against any and all losses, liabilities, obligations, claims, contingencies, damages, costs and expenses, including all judgments, amounts paid in settlements, court costs and reasonable attorneys' fees and costs of investigation that any such Purchaser Party may suffer or incur as a result of or relating to (a) any breach of any of the representations, warranties, covenants or agreements made by the Company in this Agreement or in the other Transaction Documents, or (b) any action instituted against the Purchaser Parties in any capacity, or any of them or their respective Affiliates, by any stockholder of the Company who is not an Affiliate of the applicable Purchaser Party with respect to any of the transactions contemplated by the Transaction Documents (unless such action is based upon a breach of such Purchaser Party's representations, warranties or covenants under the Transaction Documents or any agreements or understandings such Purchaser Parties may have with any such stockholder or any violations by such Purchaser Parties of state or federal securities laws or any applicable foreign securities laws or any conduct by such Purchaser Parties which constitutes fraud, gross negligence, willful misconduct or malfeasance). If any action shall be brought against any Purchaser Party in respect of which indemnity may be sought pursuant to this Agreement, such Purchaser Party shall promptly notify the Company in writing, and the Company shall have the right to assume the defense thereof with counsel of its own choosing reasonably acceptable to the Purchaser Party. Any Purchaser Party shall have the right to employ separate counsel in any such action and participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Purchaser Party except to the extent that (i) the employment thereof has been specifically authorized by the Company in writing, (ii) the Company has failed after a reasonable period of time to assume such defense and to employ counsel or (iii) in such action there is, in the reasonable opinion of counsel, a material conflict on any material issue between the position of the Company and the position of such Purchaser Party, in which case the Company shall be responsible for the reasonable fees and expenses of no more than one such separate counsel. The Company will not be liable to any Purchaser Party under this Agreement (x) for any incidental, indirect, punitive, special or consequential damages; (y) for any settlement by a Purchaser Party effected without the Company's prior written consent, which shall not be unreasonably withheld or delayed; or (z) to the extent, but only to the extent that a loss, claim, damage or liability is attributable to such Purchaser Party's breach of any of the representations, warranties, covenants or agreements made by such Purchaser Party in this Agreement or in the other Transaction Documents. The indemnification required by this Section 4.8 shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as and when bills are received or are incurred. The indemnity agreements contained herein shall be in addition to any cause of action or similar right of any Purchaser Party against the Company or others and any liabilities the Company may be subject to pursuant to law.

4.9 Listing of Ordinary Shares. The Company hereby agrees to use commercially reasonable efforts to maintain the listing or quotation of the Ordinary Shares on the Principal Market, and concurrently with the Closing, the Company shall apply to list or quote all of the Shares on the Principal Market and on the TASE and promptly secure the listing of all of the Shares thereon. The Company further agrees, if the Company applies to have the Ordinary Shares traded on any other Trading Market, it will then include in such application all of the Shares, and will take such other action as is necessary to cause all of the Shares to be listed or quoted on such other Trading Market as promptly as possible. The Company will then take all action reasonably necessary to continue the listing or quotation and trading of its Ordinary Shares on a Trading Market and will comply in all respects with the Company's reporting, filing and other obligations under the bylaws or rules of the Trading Market. The Company agrees to maintain the eligibility of the Ordinary Shares for electronic transfer through the Depository Trust Company or another established clearing corporation, including, without limitation, by timely payment of fees to the Depository Trust Company or such other established clearing corporation in connection with such electronic transfer.

4.10 Subsequent Equity Sales.

(a) From the date hereof until ten (10) days after the Effective Date, neither the Company nor any Subsidiary shall issue any Ordinary Shares or Ordinary Share Equivalents, except in connection with any Exempt Issuances.

(b) From the date hereof until the earlier of (i) such time as no Purchaser holds any of the Shares or (ii) the 18-month anniversary of the Closing, the Company shall be prohibited from effecting or entering into an agreement to effect any issuance by the Company or any of its Subsidiaries of Ordinary Shares or Ordinary Share Equivalents (or a combination of units thereof) involving a Variable Rate Transaction. "**Variable Rate Transaction**" means a transaction in which the Company (i) issues or sells any debt or equity securities that are convertible into, exchangeable or exercisable for, or include the right to receive, additional Ordinary Shares either (A) at a conversion price, exercise price or exchange rate or other price that is based upon, and/or varies with, the trading prices of or quotations for the Ordinary Shares at any time after the initial issuance of such debt or equity securities or (B) with a conversion, exercise or exchange price that is subject to being reset at some future date after the initial issuance of such debt or equity security or upon the occurrence of specified or contingent events directly or indirectly related to the business of the Company or the market for the Ordinary Shares (but not including customary price-based antidilution adjustments) or (ii) enters into any agreement, including, but not limited to, an equity line of credit, whereby the Company may issue securities at a future determined price; *provided*, that commencing 60 days after the Effective Date, the Company may engage in at-the-market offerings through a broker-dealer pursuant to Rule 415; *provided further*, that any transaction with a maximum number of shares issuable that is fixed at the time of closing shall not be a Variable Rate Transaction; and *provided further*, no registered public offering shall be a Variable Rate Transaction. Any Purchaser shall be entitled to obtain injunctive relief against the Company to preclude any such issuance, which remedy shall be in addition to any right to collect damages.

(c) Notwithstanding the foregoing, Section 4.10(a) shall not apply in respect of an Exempt Issuance, except that no Variable Rate Transaction shall be an Exempt Issuance.

4.11 Equal Treatment of Purchasers. No consideration (including any modification of any Transaction Document) shall be offered or paid to any Person to amend or consent to a waiver or modification of any provision of the Transaction Documents unless the same consideration is also offered to all of the parties to the Transaction Documents. For clarification purposes, this provision constitutes a separate right granted to each Purchaser by the Company and negotiated separately by each Purchaser, and is intended for the Company to treat the Purchasers as a class and shall not in any way be construed as the Purchasers acting in concert or as a group with respect to the purchase, disposition or voting of Shares or otherwise.

4.12 Certain Transactions and Confidentiality. Each Purchaser, severally and not jointly with the other Purchasers, covenants that neither it, nor any Affiliate acting on its behalf or pursuant to any understanding with it will execute any purchases or sales, including Short Sales, of any of the Company's securities during the period commencing with the execution of this Agreement and ending at such time that the transactions contemplated by this Agreement are first publicly announced pursuant to the initial press release as described in Section 4.4. Each Purchaser, severally and not jointly with the other Purchasers, covenants that until such time as the transactions contemplated by this Agreement are publicly disclosed by the Company pursuant to the initial press release as described in Section 4.4, such Purchaser will maintain the confidentiality of the existence and terms of this transaction and the information included in the Transaction Documents and the Disclosure Schedules. Notwithstanding the foregoing, and notwithstanding anything contained in this Agreement to the contrary (other than pursuant to Section 4.17), the Company expressly acknowledges and agrees that (i) no Purchaser makes any representation, warranty or covenant hereby that it will not engage in effecting transactions in any securities of the Company after the time that the transactions contemplated by this Agreement are first publicly announced pursuant to the initial press release as described in Section 4.4, (ii) no Purchaser shall be restricted or prohibited from effecting any transactions in any securities of the Company in accordance with applicable securities laws from and after the time that the transactions contemplated by this Agreement are first publicly announced pursuant to the initial press release as described in Section 4.4 and (iii) no Purchaser shall have any duty of confidentiality or duty not to trade in the securities of the Company to the Company or its Subsidiaries after the issuance of the initial press release as described in Section 4.4. Notwithstanding the foregoing, in the case of a Purchaser that is a multi-managed investment vehicle whereby separate portfolio managers manage separate portions of such Purchaser's assets and the portfolio managers have no direct knowledge of the investment decisions made by the portfolio managers managing other portions of such Purchaser's assets, the covenant set forth above shall only apply with respect to the portion of assets managed by the portfolio manager that made the investment decision to purchase the Shares covered by this Agreement.

4.13 Form D; Blue Sky Filings. The Company agrees to timely file a Form D with respect to the Shares as required under Regulation D and to provide a copy thereof, promptly upon request of any Purchaser. The Company shall take such action as the Company shall reasonably determine is necessary in order to obtain an exemption for, or to qualify the Shares for, sale to the Purchasers at the Closing under applicable securities or "Blue Sky" laws of the states of the United States, and shall provide evidence of such actions promptly upon request of any Purchaser.

ARTICLE V.
MISCELLANEOUS

5.1 Termination. This Agreement may be terminated by any Purchaser, as to such Purchaser's obligations hereunder only and without any effect whatsoever on the obligations between the Company and the other Purchasers, by written notice to the other parties, if the Closing has not been consummated on or before December 31, 2015; *provided*, *however*, that such termination will not affect the right of any party to sue for any breach by any other party (or parties).

5.2 Fees and Expenses.

Except as expressly set forth in the Transaction Documents to the contrary, each party shall pay the fees and expenses of its advisers, counsel, accountants and other experts, if any, and all other expenses incurred by such party incident to the negotiation, preparation, execution, delivery and performance of this Agreement; *provided* that, the Company shall bear and promptly pay the costs and expenses of legal counsel to the Purchasers up to an aggregate amount of $105,000, which amount may be deducted from the Purchasers' Subscription Amounts at the Closing. The Company shall pay all Transfer Agent fees (including, without limitation, any fees required for same-day processing of any instruction letter delivered by the Company and any exercise notice delivered by a Purchaser), stamp taxes and other taxes and duties levied in connection with the delivery of any Shares to the Purchasers.

5.3 Entire Agreement. The Transaction Documents, together with the exhibits and schedules thereto, contain the entire understanding of the parties with respect to the subject matter hereof and thereof and supersede all prior agreements and understandings, oral or written, with respect to such matters, which the parties acknowledge have been merged into such documents, exhibits and schedules.

5.4 Notices. Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be in writing and shall be deemed given and effective on the earliest of: (a) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number or email attachment as set forth on the signature pages attached hereto at or prior to 5:30 p.m. (New York City time) on a Trading Day, (b) the next Trading Day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number or email attachment as set forth on the signature pages attached hereto on a day that is not a Trading Day or later than 5:30 p.m. (New York City time) on any Trading Day, (c) the second (2nd) Trading Day following the date of mailing, if sent by U.S. nationally recognized overnight courier service or (d) upon actual receipt by the party to whom such notice is required to be given. The address for such notices and communications shall be as set forth on the signature pages attached hereto.

5.5 Amendments; Waivers. No provision of this Agreement may be waived, modified, supplemented or amended except in a written instrument signed, in the case of an amendment, by the Company and the Purchasers holding at least a majority in interest of the Shares then outstanding (which amendment shall, subject to the proviso below, be binding on all Purchasers) or, in the case of a waiver, by the party against whom enforcement of any such waived provision is sought. No waiver of any default with respect to any provision, condition or requirement of this Agreement shall be deemed to be a continuing waiver in the future or a waiver of any subsequent default or a waiver of any other provision, condition or requirement hereof, nor shall any delay or omission of any party to exercise any right hereunder in any manner impair the exercise of any such right. To the extent that any notice provided pursuant to any Transaction Document constitutes, or contains material, non-public information regarding the Company or any of the Subsidiaries, the Company shall simultaneously file such notice with the Commission pursuant to a Current Report on Form 6-K.

5.6 Headings. The headings herein are for convenience only, do not constitute a part of this Agreement and shall not be deemed to limit or affect any of the provisions hereof.

5.7 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and permitted assigns. The Company may not assign this Agreement or any rights or obligations hereunder without the prior written consent of each Purchaser (other than by merger, consolidation or sale of all or substantially all of the Company's assets). Any Purchaser may assign any or all of its rights under this Agreement to any Person to whom such Purchaser assigns or transfers any Shares, provided that such transferee agrees in writing to be bound, with respect to the transferred Shares, by the provisions of the Transaction Documents that apply to the "Purchasers."

5.8 No Third-Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective successors and permitted assigns and is not for the benefit of, nor may any provision hereof be enforced by, any other Person, except as otherwise set forth in Section 4.8 and this Section 5.8.

5.9 Governing Law. All questions concerning the construction, validity, enforcement and interpretation of the Transaction Documents shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflicts of law thereof. Each party agrees that all legal Proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by this Agreement and any other Transaction Documents (whether brought against a party hereto or its respective affiliates, directors, officers, shareholders, partners, members, employees or agents) shall be commenced exclusively in the state and federal courts sitting in the City of New York. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the City of New York, Borough of Manhattan for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein (including with respect to the enforcement of any of the Transaction Documents), and hereby irrevocably waives, and agrees not to assert in any Action or Proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such Action or Proceeding is improper or is an inconvenient venue for such Proceeding. Each party hereby irrevocably waives personal service of process and consents to process being served in any such Action or Proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law. If any party hereto shall commence an Action or Proceeding to enforce any provisions of the Transaction Documents, then, in addition to the obligations of the Company under Section 4.8, the prevailing party in such Action or Proceeding shall be reimbursed by the non-prevailing party for its reasonable attorneys' fees and other costs and expenses incurred with the investigation, preparation and prosecution of such Action or Proceeding.

5.10 Survival. The representations and warranties contained herein shall survive the Closing and the delivery of the Shares for a period of eighteen (18) months following the Closing Date.

5.11 Execution. This Agreement may be executed in two or more counterparts, all of which when taken together shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to each other party, it being understood that the parties need not sign the same counterpart. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page were an original thereof.

5.12 Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their commercially reasonable efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

5.13 Remedies. In addition to being entitled to exercise all rights provided herein or granted by law, including recovery of damages, each of the Purchasers and the Company will be entitled to specific performance under the Transaction Documents. The parties agree that monetary damages may not be adequate compensation for any loss incurred by reason of any breach of obligations contained in the Transaction Documents and hereby agree to waive and not to assert in any Action for specific performance of any such obligation the defense that a remedy at law would be adequate.

5.14 Rescission and Withdrawal Right. Notwithstanding anything to the contrary contained in (and without limiting any similar provisions of) any of the other Transaction Documents, and subject to any applicable requirements and limitations of the Israeli Companies Law, 1999, whenever any Purchaser exercises a right, election, demand or option under a Transaction Document and the Company does not timely perform its related obligations within the periods therein provided, then such Purchaser may rescind or withdraw, in its sole discretion from time to time upon written notice to the Company, any relevant notice, demand or election in whole or in part without prejudice to its future actions and rights.

5.15 Payment Set Aside. To the extent that the Company makes a payment or payments to any Purchaser pursuant to any Transaction Document or a Purchaser enforces or exercises its rights thereunder, and such payment or payments or the proceeds of such enforcement or exercise or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside, recovered from, disgorged by or are required to be refunded, repaid or otherwise restored to the Company, a trustee, receiver or any other Person under any law (including, without limitation, any bankruptcy law, state or federal law, common law or equitable cause of action), then to the extent of any such restoration the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such enforcement or setoff had not occurred.

5.16 Independent Nature of Purchasers' Obligations and Rights. The obligations of each Purchaser under any Transaction Document are several and not joint with the obligations of any other Purchaser, and no Purchaser shall be responsible in any way for the performance or non-performance of the obligations of any other Purchaser under any Transaction Document. Nothing contained herein or in any other Transaction Document, and no action taken by any Purchaser pursuant hereof or thereto, shall be deemed to constitute the Purchasers as a partnership, an association, a joint venture or any other kind of entity, or create a presumption that the Purchasers are in any way acting in concert or as a group with respect to such obligations or the transactions contemplated by the Transaction Documents. Each Purchaser shall be entitled to independently protect and enforce its rights, including, without limitation, the rights arising out of this Agreement or out of the other Transaction Documents, and it shall not be necessary for any other Purchaser to be joined as an additional party in any proceeding for such purpose. Each Purchaser has been represented by its own separate legal counsel in its review and negotiation of the Transaction Documents. It is expressly understood and agreed that each provision contained in this Agreement (including without limitation, Section 4.17) and in each other Transaction Document is between the Company and a Purchaser, solely, and not between the Company and the Purchasers collectively and not between and among the Purchaser.

5.17 Liquidated Damages. The Company's obligations to pay any partial liquidated damages or other amounts owing under the Transaction Documents is a continuing obligation of the Company and shall not terminate until all unpaid partial liquidated damages and other amounts have been paid notwithstanding the fact that the instrument or security pursuant to which such partial liquidated damages or other amounts are due and payable shall have been canceled.

5.18 Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then such action may be taken or such right may be exercised on the next succeeding Business Day.

5.19 Construction. The parties agree that each of them and/or their respective counsel have reviewed and had an opportunity to revise the Transaction Documents and, therefore, the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of the Transaction Documents or any amendments thereto. In addition, each and every reference to share prices and Ordinary Shares in any Transaction Document shall be subject to adjustment for reverse and forward stock splits, stock dividends, stock combinations and other similar transactions of the Ordinary Shares that occur after the date of this Agreement.

5.20 **WAIVER OF JURY TRIAL. IN ANY ACTION, SUIT, OR PROCEEDING IN ANY JURISDICTION BROUGHT BY ANY PARTY AGAINST ANY OTHER PARTY, THE PARTIES EACH KNOWINGLY AND INTENTIONALLY, TO THE GREATEST EXTENT PERMITTED BY APPLICABLE LAW, HEREBY ABSOLUTELY, UNCONDITIONALLY, IRREVOCABLY AND EXPRESSLY WAIVES FOREVER TRIAL BY JURY.**

(Signature Pages Follow)

IN WITNESS WHEREOF, the parties hereto have caused this Securities Purchase Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

PERION NETWORK LTD.

By: /s/ Josef Mandelbaum
Name: Josef Mandelbaum
Title: Chief Executive Officer

By: /s/ Yacov Kaufman
Name: Yacov Kaufman
Title: Chief Financial Officer

Address for Notice:

Perion Network Ltd.
Azrieli Center 1 Building A
26 HaRokmim St.
Holon 5885849, Israel
Attn: General Counsel
Fax: +972-3-769-6121
Email: LimorG@Perion.com

With a copy to (which shall not constitute notice):

Goldfarb Seligman & Co.
Electra Tower
98 Yigal Alon Street
Tel-Aviv 67891, Israel
Attention: Adam M. Klein, Adv.
Facsimile No.: +972 (3) 521-2212
Email: adam.klein@goldfarb.com

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK
SIGNATURE PAGE FOR PURCHASERS FOLLOW]

IN WITNESS WHEREOF, the undersigned have caused this Securities Purchase Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

NATIONAL COUNCIL FOR SOCIAL SECURITY FUND
By: J.P. Morgan Investment Management Inc., as authorized signatory

By: /s/ Evrard Fraise
Name: Evrard Fraise
Title: Executive Director

Address for Notice to Purchaser:

National Council for Social Security Fund
South Tower, Fortune Time, Building 11
Fenghuiyuan, Xicheng District
Beijing, People's Republic of China 100032
Facsimile No.: +86 10 5836 2704

Address for Delivery of Shares to Purchaser (if not same as address for notice):

Subscription Amount: US$10,000,000

Shares: 4,382,121

[SIGNATURE PAGES CONTINUE]

522 FIFTH AVENUE FUND, L.P.
By: J.P. Morgan Investment Management Inc., its investment advisor

By: /s/ Evrard Fraise
Name: Evrard Fraise
Title: Executive Director

Address for Notice to Purchaser:

J.P. Morgan Asset Management
Private Equity Group
320 Park Ave, 15th Floor
New York, NY 10022
Fax: 212-648-0051

Address for Delivery of Shares to Purchaser (if not same as address for notice):

Subscription Amount: US$125,000

Shares: 54,777

EXHIBIT 4.17

REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement (this "**Agreement**") is made and entered into as of November 30, 2015, between Perion Network Ltd., a company organized under the laws of the State of Israel (the "**Company**"), and each of the several purchasers signatory hereto (each such purchaser, a "**Purchaser**" and, collectively, the "**Purchasers**").

This Agreement is made pursuant to the Securities Purchase Agreement, dated as of the date hereof, between the Company and each Purchaser (the "**Purchase Agreement**").

The Company and each Purchaser hereby agrees as follows:

1. Definitions.

Capitalized terms used and not otherwise defined herein that are defined in the Purchase Agreement shall have the meanings given such terms in the Purchase Agreement. As used in this Agreement, the following terms shall have the following meanings:

"**Advice**" shall have the meaning set forth in Section 6(d).

"**Effectiveness Date**" means, with respect to the Initial Registration Statement required to be filed hereunder, the 120th calendar day following the date hereof and with respect to any additional Registration Statements which may be required pursuant to Section 2(c) or Section 3(c), the 30th calendar day following the date on which an additional Registration Statement is required to be filed hereunder (or, in the event of a "review" by the Commission, the 90th calendar day following the date such additional Registration Statement is required to be filed hereunder); *provided*, *however*, that in the event the Company is notified by the Commission that any such additional Registration Statement will not be reviewed or is no longer subject to further review and comments, the Effectiveness Date as to such Registration Statement shall be as soon as practicable following the date on which the Company is so notified if such date precedes the dates otherwise required above, *provided*, *further*, if such Effectiveness Date falls on a day that is not a Trading Day, then the Effectiveness Date shall be the next succeeding Trading Day.

"**Effectiveness Period**" shall have the meaning set forth in Section 2(a).

"**Event**" shall have the meaning set forth in Section 2(d).

"**Event Date**" shall have the meaning set forth in Section 2(d).

"**Filing Date**" means, with respect to the Initial Registration Statement required hereunder, the 30th calendar day following the date hereof and, with respect to any additional Registration Statements which may be required pursuant to Section 2(c) or Section 3(c), the earliest practical date on which the Company is permitted by SEC Guidance to file such additional Registration Statement related to the Registrable Securities.

"**Holder**" means a Purchaser and any of its respective permitted transferees, in each case, so long as it holds Registrable Securities.

"**Indemnified Party**" shall have the meaning set forth in Section 5(c).

"**Indemnifying Party**" shall have the meaning set forth in Section 5(c).

"**Initial Registration Statement**" means the initial Registration Statement filed pursuant to this Agreement.

"**Losses**" shall have the meaning set forth in Section 5(a).

"**Plan of Distribution**" shall have the meaning set forth in Section 2(a).

"**Prospectus**" means the prospectus included in a Registration Statement (including, without limitation, a prospectus that includes any information previously omitted from a prospectus filed as part of an effective registration statement in reliance upon Rule 430A promulgated by the Commission pursuant to the Securities Act), as amended or supplemented by any prospectus supplement, with respect to the terms of the offering of any portion of the Registrable Securities covered by a Registration Statement, and all other amendments and supplements to the Prospectus, including post-effective amendments, and all material incorporated by reference or deemed to be incorporated by reference in such Prospectus.

"**Registrable Securities**" means, as of any date of determination, (a) all Shares and (b) any securities issued or then issuable upon any stock split, dividend or other distribution, recapitalization or similar event with respect to the Shares; *provided, however*, that any such Registrable Securities shall cease to be Registrable Securities (and the Company shall not be required to maintain the effectiveness of any, or file another, Registration Statement hereunder with respect thereto) for so long as (a) a Registration Statement with respect to the sale of such Registrable Securities is declared effective by the Commission under the Securities Act and such Registrable Securities have been disposed of by the Holder in accordance with such effective Registration Statement, (b) such Registrable Securities have been previously sold in accordance with Rule 144, or (c) such securities become eligible for resale without volume or manner-of-sale restrictions and without current public information pursuant to Rule 144 as set forth in a written opinion letter to such effect, addressed, delivered and acceptable to the Transfer Agent and the affected Holders (assuming that such securities and any securities issuable upon exercise, conversion or exchange of which, or as a dividend upon which, such securities were issued or are issuable, were at no time within the preceding 90 days held by any Affiliate of the Company), as reasonably determined by the Company, upon the advice of counsel to the Company.

"**Registration Statement**" means any registration statement required to be filed hereunder pursuant to Section 2(a) and any additional registration statements contemplated by Section 2(c) or Section 3(c), including (in each case) the Prospectus, amendments and supplements to any such registration statement or Prospectus, including pre- and post-effective amendments, all exhibits thereto, and all material incorporated by reference or deemed to be incorporated by reference in any such registration statement.

"**Rule 415**" means Rule 415 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended or interpreted from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same purpose and effect as such Rule.

"**Rule 424**" means Rule 424 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended or interpreted from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same purpose and effect as such Rule.

"**Selling Shareholder Questionnaire**" shall have the meaning set forth in Section 3(a).

"**SEC Guidance**" means (i) any publicly-available written or oral guidance of the Commission staff, or any comments, requirements or requests of the Commission staff and (ii) the Securities Act.

2. Shelf Registration.

(a) On or prior to each Filing Date, the Company shall prepare and file with the Commission a Registration Statement covering the resale of all of the Registrable Securities (or such maximum portion thereof as permitted by the SEC Guidance) that are not then registered on an effective Registration Statement for an offering to be made on a continuous basis pursuant to Rule 415. Each Registration Statement filed hereunder shall be on Form F-3 (except if the Company is not then eligible to register for resale the Registrable Securities on Form F-3, in which case such registration shall be on another appropriate form in accordance herewith, subject to the provisions of Section 2(e)) and shall contain (unless otherwise directed by at least a majority in interest of the Holders) substantially the "**Plan of Distribution**" attached hereto as Annex A and a "**Selling Shareholder**" section based substantially on the information provided by the Holders pursuant to the questionnaire attached hereto as Annex B. Subject to the terms of this Agreement, the Company shall use its commercially reasonable efforts to cause a Registration Statement filed under this Agreement (including, without limitation, under Section 3(c)) to be declared effective under the Securities Act as promptly as reasonably practicable after the filing thereof, but in any event no later than the applicable Effectiveness Date, and shall use commercially reasonable efforts to keep such Registration Statement continuously effective under the Securities Act until the date that all Registrable Securities covered by such Registration Statement (i) have been sold, thereunder or pursuant to Rule 144, or (ii) may be sold without volume or manner-of-sale restrictions pursuant to Rule 144 and without the requirement for the Company to be in compliance with the current public information requirement under Rule 144, as determined by the counsel to the Company pursuant to a written opinion letter to such effect, addressed and acceptable to the Transfer Agent and the affected Holders (the "**Effectiveness Period**"). The Company shall telephonically request effectiveness of a Registration Statement to be as of 5:00 p.m. Eastern Time on a Trading Day. The Company shall immediately notify the Holders via facsimile or by e-mail of the effectiveness of a Registration Statement on the same Trading Day that the Company telephonically confirms effectiveness with the Commission, which shall be the date requested for effectiveness of such Registration Statement. The Company shall, by 9:30 a.m. Eastern Time on the Trading Day after the effective date of such Registration Statement, file a final Prospectus with the Commission as required by Rule 424. Failure to so notify the Holder within one (1) Trading Day of such notification of effectiveness or failure to file a final Prospectus as foresaid shall be deemed an Event under Section 2(d).

(b) Notwithstanding the registration obligations set forth in Section 2(a), if the Commission informs the Company that all of the Registrable Securities cannot, as a result of the application of Rule 415, be registered for resale as a secondary offering on a single registration statement, the Company agrees to promptly inform each of the Holders thereof and use its commercially reasonable efforts to file amendments to the Initial Registration Statement as required by the Commission, covering the maximum number of Registrable Securities permitted to be registered by the Commission, on Form F-3 or such other form available to register for resale the Registrable Securities as a secondary offering, subject to the provisions of Section 2(e), with respect to filing on Form F-3 or other appropriate form, and subject to the provisions of Section 2(d) with respect to the payment of liquidated damages; *provided*, *however*, that prior to filing such amendment, the Company shall be obligated to use diligent efforts to advocate with the Commission for the registration of all of the Registrable Securities in accordance with the SEC Guidance, including without limitation, Compliance and Disclosure Interpretation 612.09.

(c) Notwithstanding any other provision of this Agreement, if the Commission or any SEC Guidance sets forth a limitation on the number of Registrable Securities permitted to be registered on a particular Registration Statement as a secondary offering (and notwithstanding that the Company used diligent efforts to advocate with the Commission for the registration of all or a greater portion of Registrable Securities), unless otherwise directed in writing by a Holder as to its Registrable Securities, the Company shall first reduce or eliminate any securities to be included other than Registrable Securities.

In the event of a cutback hereunder, the Company shall give each Holder at least five (5) Trading Days prior written notice along with the calculations as to such Holder's allotment. In the event the Company amends the Initial Registration Statement in accordance with the foregoing, the Company will use its commercially reasonable efforts to file with the Commission, as promptly as allowed by Commission or SEC Guidance provided to the Company or to registrants of securities in general, one or more registration statements on Form F-3 or such other form available to register for resale those Registrable Securities that were not registered for resale on the Initial Registration Statement, as amended.

(d) If: (i) the Initial Registration Statement is not filed on or prior to its Filing Date (if the Company files the Initial Registration Statement without affording the Holders the opportunity to review and comment on the same as required by Section 3(a) herein, the Company shall be deemed to have not satisfied this clause (i)), or (ii) the Company fails to file with the Commission a request for acceleration of a Registration Statement in accordance with Rule 461 promulgated by the Commission pursuant to the Securities Act, as soon as practicable following the date that the Company is notified (orally or in writing, whichever is earlier) by the Commission that such Registration Statement will not be "reviewed" or will not be subject to further review, or (iii) prior to the effective date of a Registration Statement, the Company fails to file a pre-effective amendment and otherwise respond in writing to comments made by the Commission in respect of such Registration Statement within ten (10) Business Days after the receipt of comments by or notice from the Commission that such amendment is required in order for such Registration Statement to be declared effective, or (iv) a Registration Statement registering for resale all of the Registrable Securities is not declared effective by the Commission by the Effectiveness Date of the Initial Registration Statement, (v) after the effective date of a Registration Statement and prior to the date which is six (6) months after the date hereof, such Registration Statement ceases for any reason to remain continuously effective as to all Registrable Securities included in such Registration Statement, or the Holders are otherwise not permitted to utilize the Prospectus therein to resell such Registrable Securities, for more than forty-five (45) consecutive days or more than an aggregate of ninety (90) days (which need not be consecutive days) during such period, or (vi) during any six (6) month period which is after the date which is six (6) months after the date hereof, such Registration Statement ceases for any reason to remain continuously effective as to all Registrable Securities included in such Registration Statement, or the Holders are otherwise not permitted to utilize the Prospectus therein to resell such Registrable Securities, for more than thirty (30) days (which need not be consecutive days) (any such failure or breach being referred to as an "**Event**", and for purposes of clauses (i) and (iv), the date on which such Event occurs, and for purpose of clause (ii) the date on which such period is exceeded, and for purpose of clause (iii) the date which such ten (10) Business Day period is exceeded, and for purpose of clauses (v) and (vi) the date on which such forty-five (45), ninety (90) or thirty (30) day period, as applicable, is exceeded being referred to as "**Event Date**"), then, in addition to any other rights the Holders may have hereunder or under applicable law, on each such Event Date and on each monthly anniversary of each such Event Date (if the applicable Event shall not have been cured by such date) until the applicable Event is cured (and pro-rated for any part of a month in which a cure is effected), the Company shall pay to each Holder an amount in cash, as partial liquidated damages and not as a penalty, equal to the product of 1.0% multiplied by the aggregate Subscription Amount paid by such Holder pursuant to the Purchase Agreement for any such unregistered Registrable Securities then held by such Holder; *provided*, *however*, that the parties agree that the maximum aggregate cumulative liquidated damages payable by the Company to any Purchaser hereunder and pursuant to Section 4.2 of the Purchase Agreement during any thirty (30) day period shall be an amount in cash equal to one percent (1.0%) of the aggregate Subscription Amount of such Purchaser's Shares. The parties agree that the maximum aggregate liquidated damages payable to a Holder under this Agreement, together with the maximum aggregate cumulative liquidated damages payable by the Company to a Holder hereunder and pursuant to Section 4.2 of the Purchase Agreement, shall be 10% of the aggregate Subscription Amount paid by such Holder pursuant to the Purchase Agreement. The partial liquidated damages pursuant to the terms hereof shall apply on a daily pro rata basis for any portion of a month prior to the cure of an Event. The parties agree that the Company shall not be liable for liquidated damages under this Agreement with respect to any Registrable Securities that the Company was not permitted to include on such Registration Statement by the Commission as contemplated by Section 2(c) hereof.

(e) If Form F-3 is not available for the registration of the resale of Registrable Securities hereunder, the Company shall (i) register the resale of the Registrable Securities on another appropriate form and (ii) undertake to register the Registrable Securities on Form F-3 as soon as such form is available, provided that the Company shall maintain the effectiveness of the Registration Statement then in effect until such time as a Registration Statement on Form F-3 covering the Registrable Securities has been declared effective by the Commission.

(f) Notwithstanding anything to the contrary contained herein, in no event shall the Company be permitted to name any Holder or affiliate of a Holder as an underwriter in any public disclosure without the prior written consent of such Holder; *provided* that if the Company is required by the SEC to name a Holder as an underwriter, the Company shall promptly notify each such Holder of the legal requirement and give each such Holder an opportunity to persuade the SEC that said disclosure in not required. The number of days of delay caused by such Holder's efforts shall not count toward the applicable time periods for purposes of Section 2(d). If the applicable Holders(s) are unable to eliminate the legal requirement to be identified as an underwriter and such Holder does not provide written consent within five (5) Trading Days of the initial notification by the Company, this Agreement shall terminate with respect to such Holder.

3. Registration Procedures.

In connection with the Company's registration obligations hereunder, the Company shall:

(a) Not less than three (3) Trading Days prior to the filing of each Registration Statement and not less than one (1) Trading Day prior to the filing of any related Prospectus or any amendment or supplement thereto (three (3) Trading Days if the Company is changing the Selling Shareholder section or Plan of Distribution section) (including any document that would be incorporated or deemed to be incorporated therein by reference, but not including (i) any Exchange Act filing or (ii) any supplement or post-effective amendment to a registration statement that is not related to such Holder's Registrable Securities), the Company shall (i) furnish to each Holder copies of all such documents proposed to be filed, which documents (other than those incorporated or deemed to be incorporated by reference) will be subject to the review of such Holders, and (ii) cause its officers and directors, counsel and independent registered public accountants to respond to such inquiries as shall be necessary, in the reasonable opinion of respective counsel to each Holder, to conduct a reasonable investigation within the meaning of the Securities Act. The Company shall not file a Registration Statement or any such Prospectus or any amendments or supplements thereto to which the Holders of a majority of the Registrable Securities shall reasonably object in good faith, *provided* that, the Company is notified of such objection in writing no later than three (3) Trading Days after the Holders have been so furnished copies of a Registration Statement or one (1) Trading Day after the Holders have been so furnished copies of any related Prospectus or amendments or supplements thereto. In the event that the Company is prevented from making such filing on account of the objections described in the previous sentence (*provided* that the Company uses commercially reasonable efforts to address the objections described in the previous sentence and to promptly file thereafter), the failure of the Company to make such filing shall not be deemed a breach or default hereunder or otherwise be subject to the provisions of Section 2(d) with respect to the payment of liquidated damages. Each Holder agrees to furnish to the Company a completed questionnaire in the form attached to this Agreement as Annex B (a "**Selling Shareholder Questionnaire**") on a date that is not less than two (2) Trading Days prior to the Filing Date or by the end of the second (2nd) Trading Day following the date on which such Holder receives draft materials in accordance with this Section.

(b) (i) Prepare and file with the Commission such amendments, including post-effective amendments, to a Registration Statement and the Prospectus used in connection therewith as may be necessary to keep a Registration Statement continuously effective as to the applicable Registrable Securities for the Effectiveness Period and prepare and file with the Commission such additional Registration Statements in order to register for resale under the Securities Act all of the Registrable Securities subject to any SEC Guidance that sets forth a limitation on the number of Registrable Securities permitted to be registered on a particular Registration Statement, (ii) cause the related Prospectus to be amended or supplemented by any required Prospectus supplement (subject to the terms of this Agreement), and, as so supplemented or amended, to be filed pursuant to Rule 424, (iii) respond as promptly as reasonably possible to any comments received from the Commission with respect to a Registration Statement or any amendment thereto and provide as promptly as reasonably possible to the Holders true and complete copies of all written correspondence from and to the Commission relating to a Registration Statement (provided that, the Company shall excise any information contained therein which would constitute material non-public information regarding the Company or any of its Subsidiaries), and (iv) comply in all material respects with the applicable provisions of the Securities Act and the Exchange Act with respect to the disposition of all Registrable Securities covered by a Registration Statement during the applicable period in accordance (subject to the terms of this Agreement) with the intended methods of disposition by the Holders thereof set forth in such Registration Statement as so amended or in such Prospectus as so supplemented.

(c) If during the Effectiveness Period, the number of Registrable Securities at any time exceeds 100% of the number of Ordinary Shares then registered in a Registration Statement, then the Company shall file as soon as reasonably practicable, but in any case prior to the applicable Filing Date, an additional Registration Statement covering the resale by the Holders of not less than the number of such Registrable Securities.

(d) Notify the Holders of Registrable Securities to be sold (which notice shall, pursuant to clauses (iii) through (vi) hereof, be accompanied by an instruction to suspend the use of the Prospectus until the requisite changes have been made) as promptly as reasonably possible (and, in the case of (i) (A) below, not less than one (1) Trading Day prior to such filing) and (if requested by any such Person) confirm such notice in writing no later than one (1) Trading Day following the day (i)(A) when a Prospectus or any Prospectus supplement or post-effective amendment to a Registration Statement is proposed to be filed (but not including (i) any Exchange Act filing or (ii) any supplement or post-effective amendment to a registration statement that is not related to such Holder's Registrable Securities), (B) when the Commission notifies the Company whether there will be a "review" of such Registration Statement and whenever the Commission comments in writing on such Registration Statement, and (C) with respect to a Registration Statement or any post-effective amendment, when the same has become effective, (ii) of any request by the Commission or any other federal or state governmental authority for amendments or supplements to a Registration Statement or Prospectus or for additional information, (iii) of the issuance by the Commission or any other federal or state governmental authority of any stop order suspending the effectiveness of a Registration Statement covering any or all of the Registrable Securities or the initiation of any Proceedings for that purpose, (iv) of the receipt by the Company of any notification with respect to the suspension of the qualification or exemption from qualification of any of the Registrable Securities for sale in any jurisdiction, or the initiation or threatening of any Proceeding for such purpose, (v) of the occurrence of any event or passage of time that makes the financial statements included in a Registration Statement ineligible for inclusion therein or any statement made in a Registration Statement or Prospectus or any document incorporated or deemed to be incorporated therein by reference untrue in any material respect or that requires any revisions to a Registration Statement, Prospectus or other documents so that, in the case of a Registration Statement or the Prospectus, as the case may be, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and (vi) of the occurrence or existence of any pending corporate development with respect to the Company that the Company believes may be material and that, in the determination of the Company, makes it not in the best interest of the Company to allow continued availability of a Registration Statement or Prospectus, *provided*, *however*, if any notice contemplated by this Agreement contains any information which would constitute material, non-public information regarding the Company or any of its Subsidiaries, the Company shall contemporaneously publicly disclose such material non-public information.

(e) Use commercially reasonable efforts to avoid the issuance of, or, if issued, obtain the withdrawal of (i) any order stopping or suspending the effectiveness of a Registration Statement, or (ii) any suspension of the qualification (or exemption from qualification) of any of the Registrable Securities for sale in any jurisdiction, at the earliest practicable moment.

(f) Furnish to each Holder, upon request and without charge, at least one conformed copy of each such Registration Statement and each amendment thereto, including financial statements and schedules, all documents incorporated or deemed to be incorporated therein by reference to the extent requested by such Person, and all exhibits to the extent requested by such Person (including those previously furnished or incorporated by reference) promptly after the filing of such documents with the Commission; *provided*, that any such item which is available on the EDGAR system (or successor thereto) need not be furnished.

(g) Subject to the terms of this Agreement, the Company hereby consents to the use of such Prospectus and each amendment or supplement thereto by each of the selling Holders in connection with the offering and sale of the Registrable Securities covered by such Prospectus and any amendment or supplement thereto, except after the giving of any notice pursuant to Section 3(d).

(h) Prior to any resale of Registrable Securities by a Holder, use its commercially reasonable efforts to register or qualify or cooperate with the selling Holders in connection with the registration or qualification (or exemption from the Registration or qualification) of such Registrable Securities for the resale by the Holder under the securities or Blue Sky laws of such jurisdictions within the United States as any Holder reasonably requests in writing, to keep each registration or qualification (or exemption therefrom) effective during the Effectiveness Period and to do any and all other acts or things reasonably necessary to enable the disposition in such jurisdictions of the Registrable Securities covered by each Registration Statement; *provided*, that, the Company shall not be required to qualify generally to do business in any jurisdiction where it is not then so qualified, subject the Company to any material tax in any such jurisdiction where it is not then so subject or file a general consent to service of process in any such jurisdiction.

(i) If requested by a Holder, cooperate with such Holder to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be delivered to a transferee pursuant to a Registration Statement, which certificates shall be free, to the extent permitted by the Purchase Agreement, of all restrictive legends, and to enable such Registrable Securities to be in such denominations and registered in such names as any such Holder may request.

(j) Upon the occurrence of any event contemplated by Section 3(d), as promptly as reasonably possible under the circumstances taking into account the Company's good faith assessment of any adverse consequences to the Company and its shareholders of the premature disclosure of such event, prepare a supplement or amendment, including a post-effective amendment, to a Registration Statement or a supplement to the related Prospectus or any document incorporated or deemed to be incorporated therein by reference, and file any other required document so that, as thereafter delivered, neither a Registration Statement nor such Prospectus will contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. If the Company notifies the Holders in accordance with clauses (iii) through (vi) of Section 3(d) above to suspend the use of any Prospectus until the requisite changes to such Prospectus have been made, then the Holders shall suspend use of such Prospectus. The Company will use commercially reasonable efforts to ensure that the use of the Prospectus may be resumed as promptly as is practicable. The Company shall be entitled to exercise its right under this Section 3(j) to suspend the availability of a Registration Statement and Prospectus, subject to the payment of liquidated damages otherwise required pursuant to Section 2(d), for a period not to exceed 45 consecutive days or more than an aggregate of 90 days (which need not be consecutive days) during the first six (6) months following the date of this Agreement and shall not exceed an aggregate of 30 days (which need not be consecutive) during any 6-month period thereafter.

(k) Otherwise use commercially reasonable efforts to comply with all applicable rules and regulations of the Commission under the Securities Act and the Exchange Act, including, without limitation, Rule 172 under the Securities Act, file any final Prospectus, including any supplement or amendment thereof, with the Commission pursuant to Rule 424 under the Securities Act, promptly inform the Holders in writing if, at any time during the Effectiveness Period, the Company does not satisfy the conditions specified in Rule 172 and, as a result thereof, the Holders are required to deliver a Prospectus in connection with any disposition of Registrable Securities and take such other actions as may be reasonably necessary to facilitate the registration of the Registrable Securities hereunder.

(l) The Company shall use commercially reasonable efforts to maintain eligibility for use of Form F-3 (or any successor form thereto) for the registration of the resale of Registrable Securities.

(m) The Company may require each selling Holder to furnish to the Company a certified statement as to the number of Ordinary Shares beneficially owned by such Holder and, if required by the Commission, the natural persons thereof that have voting and dispositive control over the shares. During any periods that the Company is unable to meet its obligations hereunder with respect to the registration of the Registrable Securities solely because any Holder fails to furnish such information within three Trading Days of the Company's request, any liquidated damages that are accruing at such time as to such Holder only shall be tolled and any Event that may otherwise occur solely because of such delay shall be suspended as to such Holder only, until such information is delivered to the Company.

4. Registration Expenses. All fees and expenses incident to the performance of or compliance with, this Agreement by the Company shall be borne by the Company whether or not any Registrable Securities are sold pursuant to a Registration Statement. The fees and expenses referred to in the foregoing sentence shall include, without limitation, (i) all registration and filing fees (including, without limitation, fees and expenses of the Company's counsel and independent registered public accountants) (A) with respect to filings made with the Commission, (B) with respect to filings required to be made with any Trading Market on which the Ordinary Shares are then listed for trading, and (C) in compliance with applicable state securities or Blue Sky laws reasonably agreed to by the Company in writing (including, without limitation, fees and disbursements of counsel for the Company in connection with Blue Sky qualifications or exemptions of the Registrable Securities), (ii) printing expenses (including, without limitation, expenses of printing certificates for Registrable Securities), (iii) messenger, telephone and delivery expenses, (iv) fees and disbursements of counsel for the Company, (v) Securities Act liability insurance, if the Company so desires such insurance, and (vi) fees and expenses of all other Persons retained by the Company in connection with the consummation of the transactions contemplated by this Agreement. In addition, the Company shall be responsible for all of its internal expenses incurred in connection with the consummation of the transactions contemplated by this Agreement (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the expense of any annual audit and the fees and expenses incurred in connection with the listing of the Registrable Securities on any securities exchange as required hereunder. In no event shall the Company be responsible for any broker or similar commissions of any Holder or, except to the extent provided for in the Transaction Documents, any legal fees or other costs of the Holders.

5. Indemnification.

(a) Indemnification by the Company. The Company shall, notwithstanding any termination of this Agreement, indemnify and hold harmless each Holder, the officers, directors, members, partners, agents, brokers (including brokers who offer and sell Registrable Securities as principal as a result of a pledge or any failure to perform under a margin call of Ordinary Shares), investment advisors and employees (and any other Persons with a functionally equivalent role of a Person holding such titles, notwithstanding a lack of such title or any other title) of each of them, each Person who controls any such Holder (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) and the officers, directors, members, shareholders, partners, agents and employees (and any other Persons with a functionally equivalent role of a Person holding such titles, notwithstanding a lack of such title or any other title) of each such controlling Person, to the fullest extent permitted by applicable law, from and against any and all losses, claims, damages, liabilities, costs (including, without limitation, reasonable attorneys' fees) and expenses (collectively, "**Losses**"), as incurred, arising out of or relating to (1) any untrue or alleged untrue statement of a material fact contained in a Registration Statement, any Prospectus or any form of prospectus or in any amendment or supplement thereto or in any preliminary prospectus, or arising out of or relating to any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein (in the case of any Prospectus or supplement thereto, in light of the circumstances under which they were made) not misleading or (2) any violation or alleged violation by the Company of the Securities Act, the Exchange Act or any state securities law, or any rule or regulation thereunder, in connection with the performance of its obligations under this Agreement, except to the extent, but only to the extent, that (i) such untrue statements or omissions are based solely upon information regarding such Holder furnished in writing to the Company by such Holder expressly for use therein, or to the extent that such information relates to such Holder or such Holder's proposed method of distribution of Registrable Securities and was reviewed and expressly approved in writing by such Holder expressly for use in a Registration Statement, such Prospectus or in any amendment or supplement thereto (it being understood that the Holder has approved Annex A hereto for this purpose) or (ii) in the case of an occurrence of an event of the type specified in Section 3(d)(iii)-(vi), the use by such Holder of an outdated, defective or otherwise unavailable Prospectus after the Company has notified such Holder in writing that the Prospectus is outdated, defective or otherwise unavailable for use by such Holder and prior to the receipt by such Holder of the Advice contemplated in Section 6(d). The Company shall notify the Holders promptly of the institution, threat or assertion of any Proceeding arising from or in connection with the transactions contemplated by this Agreement of which the Company is aware. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such indemnified person and shall survive the transfer of any Registrable Securities by any of the Holders in accordance with Section 6(h).

(b) Indemnification by Holders. Each Holder shall, severally and not jointly, indemnify and hold harmless the Company, its directors, officers, agents and employees, each Person who controls the Company (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act), and the directors, officers, agents or employees of such controlling Persons, to the fullest extent permitted by applicable law, from and against all Losses, as incurred, to the extent arising out of or based solely upon: any untrue or alleged untrue statement of a material fact contained in any Registration Statement, any Prospectus, or in any amendment or supplement thereto or in any preliminary prospectus, or arising out of or relating to any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein (in the case of any Prospectus or supplement thereto, in light of the circumstances under which they were made) not misleading (i) to the extent, but only to the extent, that such untrue statement or omission is contained in any information so furnished in writing by such Holder to the Company expressly for inclusion in such Registration Statement or such Prospectus or (ii) to the extent, but only to the extent, that such information relates to such Holder's information provided in the Selling Shareholder Questionnaire or the proposed method of distribution of Registrable Securities and was reviewed and expressly approved in writing by such Holder expressly for use in a Registration Statement (it being understood that the Holder has approved Annex A hereto for this purpose), such Prospectus or in any amendment or supplement thereto. In no event shall the liability of a selling Holder be greater in amount than the dollar amount of the proceeds (net of all expenses paid by such Holder in connection with any claim relating to this Section 5 and the amount of any damages such Holder has otherwise been required to pay by reason of such untrue statement or omission) received by such Holder upon the sale of the Registrable Securities included in the Registration Statement giving rise to such indemnification obligation.

(c) Conduct of Indemnification Proceedings. If any Proceeding shall be brought or asserted against any Person entitled to indemnity hereunder (an "**Indemnified Party**"), such Indemnified Party shall promptly notify the Person from whom indemnity is sought (the "**Indemnifying Party**") in writing, and the Indemnifying Party shall have the right to assume the defense thereof, including the employment of counsel reasonably satisfactory to the Indemnified Party and the payment of all fees and expenses reasonably incurred in connection with defense thereof; *provided*, that, the failure of any Indemnified Party to give such notice shall not relieve the Indemnifying Party of its obligations or liabilities pursuant to this Agreement, except (and only) to the extent that it shall be finally determined by a court of competent jurisdiction (which determination is not subject to appeal or further review) that such failure shall have materially and adversely prejudiced the Indemnifying Party.

An Indemnified Party shall have the right to employ separate counsel in any such Proceeding and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party or Parties unless: (i) the Indemnifying Party has agreed in writing to pay such fees and expenses, (ii) the Indemnifying Party shall have failed promptly to assume the defense of such Proceeding and to employ counsel reasonably satisfactory to such Indemnified Party in any such Proceeding, or (iii) the named parties to any such Proceeding (including any impleaded parties) include both such Indemnified Party and the Indemnifying Party, and counsel to the Indemnified Party shall reasonably believe that a material conflict of interest is likely to exist if the same counsel were to represent such Indemnified Party and the Indemnifying Party (in which case, if such Indemnified Party notifies the Indemnifying Party in writing that it elects to employ separate counsel at the expense of the Indemnifying Party, the Indemnifying Party shall not have the right to assume the defense thereof and the reasonable fees and expenses of no more than one separate counsel shall be at the expense of the Indemnifying Party). The Indemnifying Party shall not be liable for any settlement of any such Proceeding effected without its written consent, which consent shall not be unreasonably withheld or delayed. No Indemnifying Party shall, without the prior written consent of the Indemnified Party, effect any settlement of any pending Proceeding in respect of which any Indemnified Party is a party, unless such settlement includes an unconditional release of such Indemnified Party from all liability on claims that are the subject matter of such Proceeding.

Subject to the terms of this Agreement, all reasonable fees and expenses of the Indemnified Party (including reasonable fees and expenses to the extent incurred in connection with investigating or preparing to defend such Proceeding in a manner not inconsistent with this Section) shall be paid to the Indemnified Party, as incurred, within ten Trading Days of written notice thereof to the Indemnifying Party; provided, that, the Indemnified Party shall promptly reimburse the Indemnifying Party for that portion of such fees and expenses applicable to such actions for which such Indemnified Party is finally determined by a court of competent jurisdiction (which determination is not subject to appeal or further review) not to be entitled to indemnification hereunder.

(d) Contribution. If the indemnification under Section 5(a) or 5(b) is unavailable to an Indemnified Party or insufficient to hold an Indemnified Party harmless for any Losses, then each Indemnifying Party shall contribute to the amount paid or payable by such Indemnified Party, in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party and Indemnified Party in connection with the actions, statements or omissions that resulted in such Losses as well as any other relevant equitable considerations. The relative fault of such Indemnifying Party and Indemnified Party shall be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of a material fact or omission or alleged omission of a material fact, has been taken or made by, or relates to information supplied by, such Indemnifying Party or Indemnified Party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such action, statement or omission. The amount paid or payable by a party as a result of any Losses shall be deemed to include, subject to the limitations set forth in this Agreement, any reasonable attorneys' or other fees or expenses incurred by such party in connection with any Proceeding to the extent such party would have been indemnified for such fees or expenses if the indemnification provided for in this Section was available to such party in accordance with its terms.

The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 5(d) were determined by pro rata allocation or by any other method of allocation that does not take into account the equitable considerations referred to in the immediately preceding paragraph. In no event shall the contribution obligation of a Holder of Registrable Securities be greater in amount than the dollar amount of the proceeds (net of all expenses paid by such Holder in connection with any claim relating to this Section 5 and the amount of any damages such Holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission) received by it upon the sale of the Registrable Securities giving rise to such contribution obligation.

The indemnity and contribution agreements contained in this Section are in addition to any liability that the Indemnifying Parties may have to the Indemnified Parties.

6. Market Stand-off.

(a) Each Holder and the Company hereby agrees that, if so requested by the representative of the lead or managing underwriters of a public offering effected by the Company pursuant to a registration statement (the "**Managing Underwriter**"), such Holder shall not, without the prior consent of the Managing Underwriter (i) lend, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any Registrable Securities or any securities of the Company (whether such shares or any such securities are then owned by the Holder, or are thereafter acquired), or (ii) 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 Registrable Securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Registrable Securities or such other securities, in cash or otherwise, during the period specified by the Managing Underwriter, with such period not to exceed 90 days following the effective date of such registration statement (the "**Market Standoff Period**"), provided that (i) if the Company issues an earnings release or material news, or if a material event relating to the Company occurs, during the last seventeen (17) days of the Market Standoff Period, or (ii) if prior to the expiration of the Market Standoff Period, the Company announces that it will release earnings results during the sixteen (16)-day period beginning on the last day of the Market Standoff Period, the Market Standoff Period may be extended by the Managing Underwriter until the expiration of the eighteen (18)-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event. Any discretionary waiver or termination of the restrictions contained in any such agreement by the Company or the underwriter shall first apply to the Holders of Registrable Securities, which shall have preference over all other holders of the Company's securities to register and sell the shares to be registered within such waiver or termination of restrictions.

(b) The Company may impose stop-transfer instructions with respect to securities subject to the foregoing restrictions until the end of such Market Standoff Period.

(c) The provisions of this Section 6 shall not apply to the sale of any shares to an underwriter pursuant to an underwriting agreement, and shall only be applicable to the Holder if all officers, directors and shareholders of the Company holding a percentage of the Company's share capital as determined by the Managing Underwriter, enter into similar agreements.

(d) The underwriters in connection with a registration statement so filed are intended to be third party beneficiaries of this Section 6 and shall have the right, power and authority to enforce the provisions hereof as though they were a party hereto.

(e) At the request of the Managing Underwriter, subject to clause (f) below, each Holder shall execute and deliver a lock-up letter (a "**Lock-up Letter**") in the form reasonably requested by such Managing Underwriter substantially on the terms set forth in this Section 6.

(f) Notwithstanding anything to the contrary, the restrictions on transfer in this Section 6 and any Lock-up Letter shall terminate and be of no further force or effect no later than the date which is six (6) months after the date hereof.

7. Miscellaneous.

(a) Remedies. In the event of a breach by the Company or by a Holder of any of their respective obligations under this Agreement, each Holder or the Company, as the case may be, in addition to being entitled to exercise all rights granted by law and under this Agreement, including recovery of damages, shall be entitled to specific performance of its rights under this Agreement. Each of the Company and each Holder agrees that monetary damages would not provide adequate compensation for any losses incurred by reason of a breach by it of any of the provisions of this Agreement and hereby further agrees that, in the event of any action for specific performance in respect of such breach, it shall not assert or shall waive the defense that a remedy at law would be adequate.

(b) No Piggyback on Registrations; Prohibition on Filing Other Registration Statements. Neither the Company nor any of its security holders (other than the Holders in such capacity pursuant hereto) may include securities of the Company in any Registration Statements other than the Registrable Securities. The Company shall not file any other registration statements registering the resale of any securities by selling shareholders thereunder until all Registrable Securities are registered pursuant to a Registration Statement that is declared effective by the Commission, *provided* that this Section 6(b) shall not prohibit the Company from filing supplements or amendments to registration statements filed prior to the date of this Agreement or from filing any registration statements on Form S-8.

(c) Discontinued Disposition. By its acquisition of Registrable Securities, each Holder agrees that, upon receipt of a notice from the Company of the occurrence of any event of the kind described in Section 3(d)(iii) through (vi), such Holder will forthwith discontinue disposition of such Registrable Securities under a Registration Statement until it is advised in writing (the "**Advice**") by the Company that the use of the applicable Prospectus (as it may have been supplemented or amended) may be resumed. The Company will use commercially reasonable efforts to ensure that the use of the Prospectus may be resumed as promptly as is practicable. The Company agrees and acknowledges that any periods during which the Holder is required to discontinue the disposition of the Registrable Securities hereunder shall be subject to the provisions of Section 2(d).

(d) Piggy-Back Registrations. If, at any time during the Effectiveness Period, there is not an effective Registration Statement covering all of the Registrable Securities and the Company shall determine to prepare and file with the Commission a registration statement relating to an offering for its own account or the account of others under the Securities Act of any of its equity securities, other than on Form S-4 or Form S-8 (each as promulgated under the Securities Act) or their then equivalents relating to equity securities to be issued solely in connection with any acquisition of any entity or business or equity securities issuable in connection with the Company's stock option or other employee benefit plans, then the Company shall deliver to each Holder a written notice of such determination and, if within fifteen days after the date of the delivery of such notice, any such Holder shall so request in writing, the Company shall include in such registration statement all or any part of such Registrable Securities such Holder requests to be registered; *provided*, *however*, that the Company shall not be required to register any Registrable Securities pursuant to this Section 6(d) that are eligible for resale pursuant to Rule 144 promulgated by the Commission pursuant to the Securities Act or that are the subject of a then effective Registration Statement that is available for resales or other dispositions by such Holder.

(e) Amendments and Waivers. The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, unless the same shall be in writing and signed by the Company and the Holders of a majority or more of the then outstanding Registrable Securities (for purposes of clarification, this includes any Registrable Securities issuable upon exercise or conversion of any Security), provided that, if any amendment, modification or waiver disproportionately and adversely impacts a Holder (or group of Holders), the consent of such disproportionately impacted Holder (or group of Holders) shall be required. If a Registration Statement does not register all of the Registrable Securities pursuant to a waiver or amendment done in compliance with the previous sentence, then the number of Registrable Securities to be registered for each Holder shall be reduced *pro rata* among all Holders and each Holder shall have the right to designate which of its Registrable Securities shall be omitted from such Registration Statement. Notwithstanding the foregoing, a waiver or consent to depart from the provisions hereof with respect to a matter that relates exclusively to the rights of a Holder or some Holders and that does not directly or indirectly affect the rights of other Holders may be given only by such Holder or Holders of all of the Registrable Securities to which such waiver or consent relates; *provided*, *however*, that the provisions of this sentence may not be amended, modified, or supplemented except in accordance with the provisions of the first sentence of this Section 6(e). No consideration shall be offered or paid to any Person to amend or consent to a waiver or modification of any provision of this Agreement unless the same consideration also is offered to all of the parties to this Agreement.

(f) Notices. Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be delivered as set forth in the Purchase Agreement.

(g) Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and permitted assigns of each of the parties and shall inure to the benefit of each Holder. The Company may not assign (except by merger, consolidation or sale of all or substantially all of the Company's assets) its rights or obligations hereunder without the prior written consent of at least a majority in interest of the Holders. The rights to cause the Company to register Registrable Securities pursuant to this Agreement may be assigned by a Holder to any transferee of all or part of the Registrable Securities held by such Holder, *provided* that (i) the transferee is or becomes as a result of such transfer a holder of at least one percent (1%) of the outstanding Ordinary Shares, (ii) the transferor furnishes to the Company written notice of the name and address of such transferee and the securities with respect to which such registration rights are being assigned and (iii) to the extent not previously done so, the transferee delivers to the Company a signed joinder to this Agreement in the form attached hereto.

(h) No Inconsistent Agreements. Neither the Company nor any of its Subsidiaries has entered, as of the date hereof, nor shall the Company or any of its Subsidiaries, on or after the date of this Agreement, enter into any agreement with respect to its securities, that would have the effect of impairing the rights granted to the Holders in this Agreement or otherwise conflicts with the provisions hereof. There are no registration rights obligations currently binding on the Company which the Company has not complied with in all material respects.

(i) Execution and Counterparts. This Agreement may be executed in two or more counterparts, all of which when taken together shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party, it being understood that both parties need not sign the same counterpart. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page were an original thereof.

(j) Governing Law. All questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be determined in accordance with the provisions of the Purchase Agreement.

(k) Cumulative Remedies. The remedies provided herein are cumulative and not exclusive of any other remedies provided by law.

(l) Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their commercially reasonable efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

(m) Headings. The headings in this Agreement are for convenience only, do not constitute a part of the Agreement and shall not be deemed to limit or affect any of the provisions hereof.

(n) Independent Nature of Holders' Obligations and Rights. The obligations of each Holder hereunder are several and not joint with the obligations of any other Holder hereunder, and no Holder shall be responsible in any way for the performance of the obligations of any other Holder hereunder. Nothing contained herein or in any other agreement or document delivered at any closing, and no action taken by any Holder pursuant hereto or thereto, shall be deemed to constitute the Holders as a partnership, an association, a joint venture or any other kind of group or entity, or create a presumption that the Holders are in any way acting in concert or as a group or entity with respect to such obligations or the transactions contemplated by this Agreement or any other matters, and the Company acknowledges that the Holders are not acting in concert or as a group, and the Company shall not assert any such claim, with respect to such obligations or transactions. Each Holder shall be entitled to protect and enforce its rights, including without limitation the rights arising out of this Agreement, and it shall not be necessary for any other Holder to be joined as an additional party in any proceeding for such purpose. The use of a single agreement with respect to the obligations of the Company contained was solely in the control of the Company, not the action or decision of any Holder, and was done solely for the convenience of the Company and not because it was required or requested to do so by any Holder. It is expressly understood and agreed that each provision contained in this Agreement is between the Company and a Holder, solely, and not between the Company and the Holders collectively and not between and among Holders.

****

(Signature Pages Follow)

IN WITNESS WHEREOF, the parties have executed this Registration Rights Agreement as of the date first written above.

PERION NETWORK LTD.

By: /s/ Josef Mandelbaum
Name: Josef Mandelbaum
Title: Chief Executive Officer

By: /s/ Yacov Kaufman
Name: Yacov Kaufman
Title: Chief Financial Officer

[SIGNATURE PAGE OF HOLDERS FOLLOWS]

NATIONAL COUNCIL FOR SOCIAL SECURITY FUND
By: J.P. Morgan Investment Management Inc., as authorized signatory

By: /s/ Evrard Fraise
Name: Evrard Fraise
Title: Executive Director

Address for Notice to Purchaser:

National Council for Social Security Fund
South Tower, Fortune Time, Building 11
Fenghuiyuan, Xicheng District
Beijing, People's Republic of China 100032
Facsimile No.: +86 10 5836 2704

Address for Delivery of Shares to Purchaser (if not same as address for notice):

Subscription Amount: US$10,000,000

Shares: 4,382,121

522 FIFTH AVENUE FUND, L.P.
By: J.P. Morgan Investment Management Inc., its investment advisor

By: /s/ Evrard Fraise
Name: Evrard Fraise
Title: Executive Director

Address for Notice to Purchaser:

J.P. Morgan Asset Management
Private Equity Group
320 Park Ave, 15th Floor
New York, NY 10022
Fax: 212-648-0051

Address for Delivery of Shares to Purchaser (if not same as address for notice):

Subscription Amount: US$125,000

Shares: 54,777

[END OF SIGNATURE PAGES]

Exhibit 8

1. IncrediMail Inc., a Delaware corporation
2. ClientConnect Ltd., an Israeli company
3. Interactive Holding Corp., a Delaware corporation
4. IncrediTone Inc., a Delaware corporation

EXHIBIT 12.1

CERTIFICATIONS

I, Josef Mandelbaum, certify that:

1. I have reviewed this annual report on Form 20-F of Perion Network Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: March 24, 2016

/s/ Josef Mandelbaum
Josef Mandelbaum,
Chief Executive Officer

EXHIBIT 12.2

CERTIFICATIONS

I, Yacov Kaufman, certify that:

1. I have reviewed this annual report on Form 20-F of Perion Network Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: March 24, 2016

/s/ Yacov Kaufman
Yacov Kaufman,
Chief Financial Officer

EXHIBIT 13.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 20-F of Perion Network Ltd., (the "Issuer"), for the period ended December 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Josef Mandelbaum, Chief Executive Officer of the Issuer, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report containing the financial statements fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Issuer.

/s/ Josef Mandelbaum
Josef Mandelbaum
Chief Executive Officer

Date: March 24, 2016

EXHIBIT 13.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 20-F of Perion Network Ltd., (the "Issuer"), for the period ended December 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Yacov Kaufman, Chief Financial Officer of the Issuer, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report containing the financial statements fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Issuer.

/s/ Yacov Kaufman
Yacov Kaufman
Chief Financial Officer

Date: March 24, 2016

EXHIBIT 15.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements on Form F-3 (Registration Nos. 333-208785 and 333-195794) and Form S-8 (Registration Nos. 333-208278, 333-203641, 333-193145, 333-192376, 333-188714, 333-171781, 333-152010 and 333-133968), of our reports dated March 24, 2016, with respect to (i) the consolidated financial statements of Perion Network Ltd. and its subsidiaries and (ii) the effectiveness of internal control over financial reporting of Perion Network Ltd., which appear in this Annual Report on Form 20-F for the year ended December 31, 2015.

/s/ KOST FORER GABBAY & KASIERER

Tel Aviv, Israel
March 24, 2016

KOST FORER GABBAY & KASIERER
A member of Ernst & Young Global