UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

FORM 20-F

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

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2014

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____

OR

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
Date of event requiring this shell company report _____

Commission file number: 001-20892

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

Israel
(Jurisdiction of incorporation or organization)

16 Atir Yeda Street, Atir Yeda Industrial Park, Kfar Saba, 4464321, Israel
(Address of principal executive offices)

Dror Harel-Elkayam, CFO
Tel: +972-9-8993000; Fax: +972-9-8993001
Attunity Ltd, 16 Atir Yeda Street, Atir Yeda Industrial Park, Kfar Saba, 4464321, Israel
(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, NIS 0.4 par value per share	**The NASDAQ Stock Market LLC**

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

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

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report (December 31, 2014): **15,375,716**

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

☐ Yes ☒ No

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

☐ Yes ☒ No

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

☒ Yes ☐ No

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

☒ Yes ☐ No

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

Large Accelerated Filer ☐ Accelerated Filer ☒ Non-Accelerated Filer ☐

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

☒ U.S. GAAP

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

☐ Other

If "Other" has been checked in response to the previous question indicate by check mark which financial statements 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

INTRODUCTION

Unless indicated otherwise by the context, all references in this annual report to *"Attunity"*, the *"Company", "we", "us", "our"* or the "*Registrant*" are to Attunity Ltd and its subsidiaries.

When the following terms and abbreviations appear in the text of this annual report, they have the meanings indicated below:

- "*Appfluent*" means Appfluent Technology, Inc., a Delaware corporation we acquired in March 2015;
- "*Big Data"* means very large and complex quantities of datasets that are difficult to process using traditional data processing applications;
- "*BIReady*" means BIReady B.V., a Netherlands company, from which we acquired its warehouse automation technology and certain related assets in November 2014;
- "*CDC*" means change data capture, a process that captures and replicate only the changes made to enterprise data sources rather the entire data sources;
- "*cloud computing*" means the use of computing resources, hardware and software, that are generally delivered as a service over the Internet;
- "*Companies Law*" or the *"Israeli Companies Law"* mean the Israeli Companies Law, 5759-1999;
- "*Convertible Notes*" or "*Notes*" mean the convertible promissory notes in an aggregate principal amount of $2.0 million that we issued to certain investors (including Mr. Shimon Alon, the Chairman of our Board of Directors and our Chief Executive Officer, and Mr. Ron Zuckerman, a member of our Board of Directors) pursuant to a Note and Warrant Purchase Agreement, dated March 22, 2004, as amended from time to time, by and between us and the investors;
- *"dollars" or "$"* mean United States dollars;
- "*GBP*" means British Pound;
- *"Hadoop"* means an open-source software framework for storage and large-scale processing of data-sets on clusters of commodity hardware;
- "*Hayes*" means Hayes Technology Group, Inc., an Illinois corporation we acquired in December 2013;
- "*NIS*" *or* "*shekel*" mean New Israeli Shekels;
- "*RepliWeb*" means RepliWeb Inc., a Delaware corporation we acquired in September 2011; and
- "*SEC*" means the United States Securities and Exchange Commission.

We have obtained trademark registrations in the U.S. for, among others, Attunity, Attunity Connect, Attunity Federate, Attunity Replicate, RepliWeb, Better Data, Smaller Databases, Data Echo, Data Recast, Gold Client and Appfluent. Unless indicated otherwise by the context, any other trademarks and trade names appearing in this annual report are owned by their respective holders.

Our consolidated financial statements appearing in this annual report are prepared in dollars and in accordance with generally accepted accounting principles in the United States, or U.S. GAAP, and are audited in accordance with the standards of the Public Company Accounting Oversight Board in the United States.

On April 1, 2015, the exchange rate between the NIS and the dollar, as quoted by the Bank of Israel, was NIS 3.974 to $1.00. Unless indicated otherwise by the context, statements in this annual report that provide the dollar equivalent of NIS amounts or provide the NIS equivalent of dollar amounts are based on such exchange rate.

On July 19, 2012, we effected a one-for-four reverse split of our ordinary shares, and accordingly the par value of our ordinary shares was changed from NIS 0.1 to NIS 0.4 per share. Unless indicated otherwise by the context, all ordinary share, option and per share amounts as well as stock prices in this annual report have been adjusted to give retroactive effect to the stock split for all periods presented.

Statements made in this annual report concerning the contents of any contract, agreement or other document are summaries of such contracts, agreements or documents and are not complete descriptions of all of their terms. If we filed any of these documents as an exhibit to this annual report or to any registration statement or annual report that we previously filed, you may read the document itself for a complete description of its terms, and the summary included herein is qualified by reference to the full text of the document which is incorporated by reference into this annual report.

Unless otherwise indicated, information contained in this annual report concerning our industry and the markets in which we operate, including our competitive position and market opportunity, is based on information from our own management estimates and research, as well as from industry and general publications and research, surveys and studies conducted by third parties. Management estimates are derived from publicly available information, our knowledge of our industry and assumptions based on such information and knowledge, which we believe to be reasonable. Our management estimates have not been verified by any independent source, and we have not independently verified any third-party information. In addition, assumptions and estimates of our and our industry's future performance are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in Item 3.D "Risk Factors" below.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Except for the historical information contained in this annual report, the statements contained in this annual report are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and the Private Securities Litigation Reform Act of 1995, as amended, and other federal securities laws with respect to our business, financial condition and results of operations. We urge you to consider that statements which use the terms "anticipate," "believe," "expect," "plan," "intend," "estimate," and similar expressions are intended to identify forward-looking statements. Such forward-looking statements reflect our current view with respect to future events and financial results.

We remind readers that forward-looking statements are merely predictions and therefore inherently subject to uncertainties and other factors and involve known and unknown risks that could cause the actual results, including revenues from agreements we signed, expansion of our operations, development and release of new products, performance, levels of activity, our achievements, or industry results, to be materially different from any future results, plans to expand our operations, plans to develop and release new products, performance, levels of activity, or our achievements, or industry results, expressed or implied by such forward-looking statements. Such forward-looking statements appear in Item 3.D "Risk Factors", Item 4 "Information on the Company" and Item 5 "Operating and Financial Review and Prospects" as well as elsewhere in this annual report. The forward-looking statements contained in this annual report are subject to risks and uncertainties, including those discussed under Item 3.D "Risk Factors" and in our other filings with the SEC. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

Except as required by applicable law, including the securities laws of the United States, we undertake no obligation to publicly release any update or revision to any forward-looking statements to reflect new information, future events or circumstances, or otherwise after the date hereof.

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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

The following selected consolidated statements of operations data for the years ended December 31, 2014, 2013 and 2012 and the selected consolidated balance sheet data as of December 31, 2014 and 2013, which have been prepared in accordance with U.S. GAAP, are derived from our audited consolidated financial statements set forth elsewhere in this annual report. The selected consolidated statements of operations data for the years ended December 31, 2011 and 2010 and the selected consolidated balance sheet data as of December 31, 2012, 2011 and 2010, which have also been prepared in accordance with U.S. GAAP, have been derived from audited consolidated financial statements not included in this annual report.

The selected consolidated financial data set forth below should be read in conjunction with, and are qualified by reference to, Item 5 "Operating and Financial Review and Prospects" and our consolidated financial statements and notes thereto and the other financial information appearing elsewhere in this annual report.

Balance Sheet Data:

	December 31,				
	2014	**2013**	**2012**	**2011**	**2010**
	(U.S. dollars in thousands)				
Working capital (deficiency)	$ 11,568	$ 12,292	$ (3,046)	$ (6,891)	$ (2,643)
Total assets	53,506	49,980	26,132	22,993	10,705
Current maturities of long term-debt, short-term convertible debt, including current maturities of long-term convertible debt	--	--	1,934	950	1,259
Long-term debt, less current maturities	--	--	--	--	1,661
Contingent purchase consideration	4,262	3,280	--	1,669	--
Warrants and bifurcated conversion feature, and other liabilities presented at fair value	906	1,093	730	510	1,215
Shareholders' equity	31,157	30,098	9,562	5,188	733
Additional paid-in capital	133,931	130,944	110,318	107,345	102,459

Income Statement Data:

	Year ended December 31,				
	2014	2013	2012	2011	2010
	(U.S. dollars and share amounts in thousands, except per share data)				
Software licenses	$ 20,128	$ 13,364	$ 14,437	$ 8,140	$ 4,645
Maintenance and services	15,524	11,833	11,042	7,029	5,430
Total revenues	35,652	25,197	25,479	15,169	10,075
Cost of software licenses	890	748	831	563	1,119
Cost of maintenance and services	2,431	1,384	1,525	890	832
Research and development expenses	9,316	7,756	7,748	4,960	2,482
Selling and marketing expenses	19,136	11,793	9,833	5,851	3,831
General and administrative expenses	3,944	3,574	3,024	2,835	1,854
Total operating expenses	35,717	25,255	22,961	15,099	10,118
Operating income (loss)	(65)	(58)	2,518	70	(43)
Financial expenses, net	893	627	1,241	1,284	1,388
Income (loss) before taxes on income	(958)	(685)	1,277	(1,214)	(1,431)
Taxes on income (income tax benefit)	734	(56)	(209)	(399)	74
Net income (loss)	(1,692)	(629)	1,486	(815)	(1,505)
Basic net income /(loss) per share	$ (0.11)	$ (0.05)	$ 0.14	$ (0.09)	$ (0.20)
Weighted average number of shares used in computing basic net income / (loss) per share	15,024	11,474	10,716	8,662	7,993
Diluted net income /(loss) per share	$ (0.11)	$ (0.05)	$ 0.12	$ (0.09)	$ (0.20)
Weighted average number of shares used in computing diluted net income / (loss) per share	15,024	11,474	12,311	8,662	7,993

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

The following risk factors, among others, could in the future affect our actual results of operations and could cause our actual results to differ materially from those expressed in forward-looking statements made by us. These forward-looking statements are based on current expectations and we assume no obligation to update this information. Before you decide to buy, hold, or sell our ordinary shares, you should carefully consider the risks described below, in addition to the other information contained elsewhere in this annual report. The following risk factors are not the only risk factors facing our Company. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business. Our business, financial condition and results of operation could be seriously harmed if any of the events underlying any of these risks or uncertainties actually occurs. In that event, the price for our ordinary shares could decline, and you may lose all or part of your investment.

Risk Factors Relating to Our Business

We have a history of operating losses and may not achieve or sustain profitability in the future.

We incurred operating losses in the past, including an operating loss of $65,000 in the fiscal year ended December 31, 2014 and an operating loss of $58,000 in the fiscal year ended December 31, 2013. Our ability to achieve and sustain profitability in the future depends in part on the rate of growth of, and changes in technology trends in, our market; the global economy; our ability to develop new products and technologies in a timely manner; the competitive position of our products; our ability to manage our operating expenses; and other risks, some of which are described in this annual report. We may also seek to increase our operating expenses and make additional expenditures in anticipation of generating higher revenues, which we may not realize, if at all, until sometime in the future. For example, our operating expenses increased from approximately $10.1 million in the fiscal year ended December 31, 2010 to approximately $35.7 million in the fiscal year ended December 31, 2014, whereas our revenues rose at a slightly lower pace during such years, from approximately $10.1 million in 2010 to approximately $35.7 million in 2014. As such, there can be no assurance that we will be able to achieve or sustain profitable operations in the future.

We depend on strategic relationships with our distributors, OEM, VAR and other business partners and our revenues may be reduced if such relationships are not successful or are terminated.

Our products and services are sold through both direct and indirect channels, including distributors, original equipment manufacturers, or OEM, value-added resellers, or VAR, and other business partners. Specifically, we rely on strategic relationships with OEM and other business partners and resellers to sell our products and services. For example, in December 2010, we entered into two five–year OEM agreements with Microsoft Corporation, or Microsoft, for an aggregate consideration of nearly $9 million. We expect that these OEM relationships will continue to account for a material portion of our revenues in the future. Typically, where our fees depend on orders of products (and not fixed license fees), these parties are not obligated to sell any of our products. Any failure of these relationships to market our products effectively or generate significant revenues for us, a termination of any of these relationships, or if we are unable to form additional strategic alliances in the future that will prove beneficial to us, could have a material adverse effect on our business, operating results and financial condition.

Our ability to expand our business into the SAP market and the success of our Gold Client offering depend on our relationship with SAP, including our ability to maintain our status as a SAP Software Solution and Technology Partner.

In December 2013, we acquired Hayes, a leading U.S.-based provider of data replication software for the market in which SAP AG, or SAP, operates, including Hayes' flagship product, Gold Client, a globally-recognized software solution in the SAP data replication market. Through Hayes, we maintain a status of a "SAP Software Solution and Technology Partner" and our Gold Client solutions have achieved several certifications from SAP, including, in early 2014, as a certified integration with the SAP® ERP (Enterprise Resource Planning) 6.0 application running on the SAP HANA® platform. The success of our Gold Client offering is dependent to a large extent on our relationship with SAP and, in particular, our ability to maintain these certifications and, where appropriate, our ability to obtain additional certifications from SAP for our future SAP related offerings. This is primarily because an installation of SAP solutions is considered as a sizeable investment and current and prospective customers tend to view these certifications as valuable when making capital expenditure decisions related to their SAP solution-based environment. If we fail to maintain our status as a SAP Software Solution and Technology Partner or, where appropriate, obtain additional certifications from SAP for our future SAP related offerings, our business and operating results, especially our ability to expand our business into the SAP market and the sales of our Gold Client offering, could be adversely affected.

Our business and operating results depend in part on the successful and timely implementation of our third party partner solutions.

We rely on our strategic partners to extend the functionality and facilitate the wider adoption of our software solutions. Specifically, our software solutions, which are designed to enable access, sharing, replication, consolidation, distribution and usage analytics of data across heterogeneous enterprise platforms, organizations and the cloud, are often licensed or incorporated as part of a broader offering through our strategic partners. For example, when one of our strategic partners introduces our Attunity Replicate solution to a customer who is considering such partner's data warehouse solution, our sale of Attunity Replicate to that customer will likely depend on our partner's successful sale and implementation of the data warehouse solution to that customer. As a result, our revenue and financial results depend in part on the timely and successful implementation of our partners' solutions. To the extent our partners' deliverables are not met in a timely manner or at all, our business and operating results could be adversely affected.

The loss of one or more of our significant customers or a decline in demand from one or more of these customers could harm our business.

Historically, we have relied on a limited number of customers for a substantial portion of our total sales. For example, in 2012, Microsoft, our largest customer for that year, accounted for 10.9% of our revenues. There can be no assurance that such customers will continue to order our products in the same level or at all. A reduction or delay in orders from such customers, including reductions or delays due to market, economic or competitive conditions, could have a material adverse effect on our business, operating results and financial condition.

Our products have a lengthy sales cycle.

Our customers typically use our products to deploy applications that are critical to their business. As a result, the licensing and implementation of our products generally involves a significant commitment of attention and resources by prospective customers and, at times, the sales cycle for some of our products extends to twelve months. Because of the long approval process that typically accompanies strategic initiatives or capital expenditures by companies, our sales process is often delayed, with little or no control over any delays encountered by us. Our sales cycle can be further extended for sales made through or with the involvement of third party distributors or partners. We cannot control such delays and cannot control the timing of sales cycles or our sales revenue. Delay in the sales cycle of our products could result in significant fluctuations in our quarterly operating results or difficulty in forecasting revenues for any given period.

Our business and operating results may be adversely affected by competition, including as a result of consolidation of our competitors.

The markets for our software products are intensely competitive and, particularly in the file replication and application release automation, or ARA, markets, also fragmented. Competition in the industry is generally based on product performance, depth of product line, technical support and price. We compete both with international and local software providers, many of whom have significantly greater financial, technical and marketing resources than us. In the fields of ARA, web deployment and enterprise file replication, we also compete with providers of open source and freeware solutions, which are substantially less expensive than our solutions. We anticipate continued growth and competition in the software products market. In the past few years, we have identified a trend of consolidation in the software industry in general, and in the real-time data integration market in particular. For example, in December 2013, IBM acquired Aspera, which engages, among other things, in the sale of managed file transfer solutions. Consolidation and mergers in our market may result in stronger competition by larger companies that threaten our market positioning.

Our existing and potential competitors, such as IBM, Informatica, Oracle, SAP, EPI-USE and HP, who compete with different products or services we offer, may offer or be able to develop software products and services that are as effective as, or more effective or easier to use than, those offered by us. Such existing and potential competitors may also enjoy substantial advantages over us in terms of research and development expertise, manufacturing efficiency, name recognition, sales and marketing expertise and distribution channels, as well as financial resources. There can be no assurance that we will be able to compete successfully against current or future competitors or that competition will not have a material adverse effect on our future revenues and, consequently, on our business, operating results and financial condition.

The success of our Appfluent products is dependent on our ability to penetrate the market for open source distributed data platforms.

The market for Hadoop and open source distributed data platforms is relatively new, rapidly evolving and unproven. Our future success of selling our Appfluent products will depend on Hadoop's ability to penetrate the existing market for open source distributed data platforms, as well as the continued growth and expansion of the market for open source distributed data platforms. If the market for Hadoop and open source distributed data platforms fails to grow or expand or decreases in size, our business could be harmed.

We must develop new products and solutions as well as enhancements and new features to existing products to remain competitive and our future growth will depend upon market acceptance of our products.

We compete in a market that is characterized by technological changes and improvements and frequent new product introductions and enhancements. The introduction of new technologies and products could render existing products and services obsolete and unmarketable and could exert price pressures on our products and services. Any future success and our future growth will depend upon our ability to address the increasingly sophisticated needs of our customers by, among others:

- supporting existing and emerging hardware, software, databases and networking platforms;
- developing and introducing new and enhanced applications that keep pace with such technological developments, emerging new markets and changing customer requirements; and
- gaining and consecutively increasing market acceptance of our products.

We are currently developing new products as well as enhancements and new features to our existing products and solutions. We may not be able to successfully complete the development and market introduction of new products or product enhancements or new features. If we fail to develop and deploy new products and product enhancements or features on a timely basis or if we fail to gain market acceptance of our new products, our revenues will decline and we may lose market share to our competitors.

If our products are unable to interoperate with hardware and software technologies developed and maintained by third parties that are not within our control, our ability to develop and sell our products to our customers could be adversely affected, which would result in harm to our business and operating results.

Our products are designed to interoperate with and provide access to a wide range of third-party developed and maintained hardware and software technologies, which are used by our customers. For example, our Attunity Replicate solution interoperates with many database environments, such as Microsoft SQL Server, Oracle Database and IBM DB2. The future design and development plans of the third parties that maintain these technologies are not within our control and may not be in line with our future product development plans. We may also rely on such third parties, particularly certain third-party developers of database and application software products, to provide us with access to these technologies so that we can properly test and develop our products to interoperate with the third-party technologies. These third parties may in the future refuse or otherwise be unable to provide us with the necessary access to their technologies. In addition, these third parties may decide to design or develop their technologies in a manner that would not be interoperable with our own. If any of the situations described above were to occur, we would not be able to continue to market our products as interoperable with such third-party hardware and software, which could adversely affect our ability to successfully sell our products to our customers.

Our products may contain defects that may be costly to correct, delay market acceptance of our products, harm our reputation and expose us to litigation.

Despite testing by us, errors may be found in our software products. If defects are discovered, we may not be able to successfully correct them in a timely manner, or at all. Defects and failures in our products could result in a loss of, or delay in, market acceptance of our products and could damage our reputation. Although our standard license agreement with our customers contains provisions designed to limit our exposure to potential product liability claims, it is possible that these provisions may not be effective or enforceable under the laws of some jurisdictions, and we could fail to realize revenues and suffer damage to our reputation as a result of, or in defense of, a substantial claim.

The loss of the services of our key personnel would negatively affect our business.

Our future success depends to a large extent on the continued services of our senior management and key personnel, including, in particular, Shimon Alon, the Chairman of our Board of Directors and our Chief Executive Officer. Any loss of the services of members of our senior management or other key personnel, and especially those of Mr. Alon, would adversely affect our business.

Severe global economic conditions may materially adversely affect our business.

Our business and financial condition is affected by global economic conditions and their impact on levels of spending by customers, which may be disproportionately affected by economic downturns. For example, in the past several years, credit and sovereign debt issues have destabilized certain European economies, thereby increasing global macroeconomic uncertainties. Uncertainty about current global economic conditions continues to pose a risk as customers may postpone or reduce spending in response to restraints on credit. Should the economic slowdown resume and/or companies in our target markets reduce capital expenditures, it may cause our customers to reduce or postpone their technology spending significantly, which could result in reductions in sales of our products, longer sales cycles, slower adoption of new technologies and increased price competition. In addition, if the market is flat and customers experience low visibility we may not be able to increase our sales (whether direct sales or indirect sales through our distributors). Each of the above scenarios would have a material adverse effect on our business, operating results and financial condition.

We are subject to risks associated with international operations.

We are based in Israel and generate a material portion of our sales outside the United States. Our sales outside of the United States accounted for approximately 31%, 30% and 35% of our total revenues for the years ended December 31, 2014, 2013 and 2012, respectively. Although we commit significant management time and financial resources to developing direct and indirect international sales and support channels, we cannot be certain that we will be able to maintain or increase international market demand for our products. To the extent that we cannot do so in a timely manner, our business, operating results and financial condition may be adversely affected.

As we conduct business globally, our future results could also be adversely affected by a variety of uncontrollable and changing factors and inherent risks, including the following:

- the impact of the recessionary environments in multiple foreign markets, such as in some European countries;
- longer receivables collection periods and greater difficulty in accounts receivable collection;
- unexpected changes in regulatory requirements;
- difficulties and costs of staffing and managing foreign operations;
- reduced protection for intellectual property rights in some countries;
- potential tax consequences;
- fluctuations in currency exchange rates;
- political and economic instability; and
- the direct or indirect impact on our business, including the effect on the availability of and premiums on insurance, resulting from various forms of hostilities, such as the threat or occurrence of war, terrorist incidents or cyber-attacks or responses to such threatened or actual incidents or attacks.

We cannot be certain that we, our distributors or our resellers will be able to sustain or increase revenues from international operations or that the foregoing factors will not have a material adverse effect on our future revenues and, as a result, on our business, operating results and financial condition.

We face risks associated with acquisition of businesses and technologies.

We completed the acquisitions of Appfluent, Hayes and RepliWeb in March 2015, December 2013 and September 2011, respectively, and, in November 2014, we acquired BIReady's data warehouse automation technology. As part of our growth strategy, we may continue to evaluate and pursue additional acquisitions of, or significant investments in, other complementary companies or technologies to increase our technological capabilities and expand our product offerings. Acquisitions and the successful integration of new technologies, products, assets or businesses that we have acquired, or will acquire in the future, continue to require, and will require, significant attention from our management and could result in a diversion of resources from our existing business, which in turn could have an adverse effect on our business operations. Other risks commonly encountered with acquisitions include disruption of our ongoing business; difficulties in integration of the acquired operations and personnel; inability of our management to maximize our financial and strategic position by the successful implementation of uniform product offerings and the incorporation of uniform technology into our product offerings and control system; being subject to known or unknown contingent liabilities, including taxes, expenses and litigation costs; and inability to realize expected synergies or other anticipated benefits. We cannot assure you that we will be successful in overcoming these risks or any other problems we may encounter in connection with recent acquisitions or other potential future acquisitions. Our inability to successfully integrate the operations of an acquired business, including a successful implementation of the technologies we acquire, and realize anticipated benefits associated with an acquisition could have a material adverse effect on our business, financial condition, results of operations and cash flows. Acquisitions or other strategic transactions may also result in dilution to our existing shareholders if we issue additional equity securities as consideration or partial consideration (as we have done with all of our acquisitions in the past several years) and may increase our debt. We may also be required to amortize significant amounts of intangible assets or record impairment of goodwill in connection with future acquisitions, which would adversely affect our operating results.

We are subject to risks relating to proprietary rights and risks of infringement.

We are dependent upon our proprietary software technology and we rely primarily on a combination of copyright and trademark laws, trade secrets, confidentiality procedures and contractual provisions to protect our proprietary rights. Except for our trademark registrations in the United States, and one registered patent which we do not view as material, we do not have any other registered trademarks, patents or copyrights. To protect our software, documentation and other written materials, we rely on trade secret and copyright laws, which afford only limited protection. It is possible that others will develop technologies that are similar or superior to our technology. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our products or to obtain and use information that we regard as proprietary. It is difficult to police the unauthorized use of products in our field, and we expect software piracy to be a persistent problem, although we are unable to determine the extent to which piracy of our software products exists. In addition, the laws of some foreign countries do not protect our proprietary rights as fully as do the laws of the United States. We cannot be certain that our means of protecting our proprietary rights in the United States or abroad will be adequate or that our competition will not independently develop similar technology.

We are not aware that we have infringed any proprietary rights of third parties. It is possible, however, that third parties will claim that we have infringed upon their intellectual property rights. It would be time consuming for us to defend any such claims, with or without merit, and any such claims could:

- result in costly litigation;
- divert management's attention and resources;
- cause product shipment delays; and
- require us to enter into royalty or licensing agreements. Such royalty or licensing agreements, if required, may not be available on terms acceptable to us, if at all.

If there is a successful claim of infringement against us and we are not able to license the infringed or similar technology or other intellectual property, our business, operating results and financial condition would be materially adversely affected.

We incorporate open source technology in our products which may expose us to liability and have a material impact on our product development and sales.

Some of our products utilize open source technologies. These technologies are licensed to us under varying license structures, including the General Public License, or the GPL, a software license that is, in general, designed to guarantee end users the freedom to use and modify the licensed software under the GPL while ensuring such freedom is preserved whenever the work is distributed. If we have improperly integrated, or in the future improperly integrate software that is subject to such licenses into our products, in such a way that our software becomes subject to the GPL or similar licenses, we may be required to disclose our own source code to the public. This could enable our competitors to eliminate any technological advantage that our products may have over theirs. Any such requirement to disclose our source code or other confidential information related to our products could materially and adversely affect our competitive position and impact our business, results of operations and financial condition.

We may need to raise additional capital in the future, which may not be available to us.

While we had cash and cash equivalents of approximately $19.0 million as of December 31, 2014, we used a significant portion of those funds to finance the acquisition of Appfluent in March 2015. Although we anticipate that our existing capital resources will be adequate to satisfy our working capital and capital expenditure requirements in the next 12 months, we may need to raise additional funds in the future in order to satisfy our future working capital and capital expenditure requirements, including acquisitions. There is no assurance that we will be able to obtain additional funds on a timely basis, on acceptable terms or at all. If we cannot raise needed funds on acceptable terms, we may be required to delay, scale back or eliminate some aspects of our operations. In addition, if additional funds are raised through the issuance of equity securities, the percentage ownership of then current shareholders would be diluted.

We may be required to pay additional taxes due to tax positions that we undertook.

We operate our business in various countries, and we attempt to utilize an efficient operating model to optimize our tax payments based on the laws in the countries in which we operate. This can cause disputes between us and various tax authorities in the countries in which we operate whether due to tax positions that we have taken regarding filing of various tax returns or in cases where we determined not to file tax returns. In particular, not all of the tax returns of our operations are final and may be subject to further audit and assessment by the applicable tax authorities. There can be no assurance that the applicable tax authorities will accept our tax positions. In such event, we may be required to pay additional taxes, as a result of which, our future results may be adversely affected.

Our operating results fluctuate significantly and are affected by seasonality and various other factors.

Our quarterly results have fluctuated significantly in the past and may fluctuate significantly in the future. Our future operating results will depend on many factors, including, but not limited to, the following:

- the size and timing of significant orders and their timely fulfillment;
- demand for our products;
- seasonal trends;
- domestic and international economic and political conditions;
- changes in our pricing policies or those of our competitors;
- the number, timing and significance of product enhancements;
- new product announcements by us and our competitors;
- our ability to successfully market newly acquired products and technologies;
- our ability to develop, introduce and market new and enhanced products on a timely basis;
- changes in the level of our operating expenses;
- budgeting cycles of our customers;
- customer order deferrals in anticipation of enhancements or new products that we or our competitors offer;
- product life cycles;
- software bugs and other product quality problems;

- personnel changes;
- changes in our strategy;
- currency exchange rate fluctuations and economic conditions in the geographic areas where we operate; and
- the inherent uncertainty in marketing new products or technologies.

Due to the foregoing factors, quarterly revenues and operating results are difficult to forecast, and it is likely that our future operating results will be affected by these or other factors. Revenues are also difficult to forecast because our sales cycle, from initial evaluation to purchase, is lengthy and varies substantially from customer to customer. In light of the foregoing, we cannot predict revenues for any future quarter with any significant degree of accuracy and period-to-period comparisons of our operating results may not necessarily be meaningful.

We have often recognized a substantial portion of our revenues in the last quarter of the year and in the last month, or even weeks or days, of a quarter. Our expense levels are relatively fixed in the short term. If revenue levels fall below expectations, our quarterly results are likely to be disproportionately adversely affected because a proportionately smaller amount of our expenses varies with our revenues.

Our operating results reflect seasonal trends and we expect to continue to be affected by such trends in the future, primarily in the third quarter ending September 30, when we expect to continue to experience relatively lower sales mainly as a result of reduced sales activity during the summer months. Due to the foregoing factors, in some future quarter our operating results may be below the expectations of public market analysts and investors. In such event, it is likely that the price of our ordinary shares would be materially adversely affected.

Our financial results may be adversely affected by currency fluctuations.

Since we report our financial results in dollars, fluctuations in rates of exchange between the dollar and non-dollar currencies may have a material adverse effect on our results of operations. We generate a majority of our revenues in dollars or in dollar-linked currencies, but some of our revenues are generated in other currencies such as the Euro and the GBP. As a result, some of our financial assets are denominated in these currencies, and fluctuations in these currencies could adversely affect our financial results. In addition, a material portion of our expenses, principally salaries and related personnel expenses, are paid in NIS. For instance, during 2013, we witnessed a strengthening of the average exchange rate of the NIS against the dollar, which increased the dollar value of Israeli expenses. If the NIS strengthens against the dollar, as it did in 2013, the value of our Israeli expenses will increase. While we engage, from time to time, in currency hedging transactions intended to reduce the effect of fluctuations in foreign currency exchange rates on our results of operations, we cannot guarantee that such measures will adequately protect us against currency fluctuations in the future. Although exposure to currency fluctuations to date has not had a material adverse effect on our business, there can be no assurance such fluctuations in the future will not have a material adverse effect on our operating results and financial condition.

Cyber-attacks or other data security incidents may compromise the integrity of our products, harm our reputation and adversely impact our business and financial results.

Despite our efforts to protect our proprietary rights, including maintaining the security and integrity of our product source code, the threats to network and data security are increasingly diverse and sophisticated. We and our software solutions could be targets of cyber-attacks (including, among others, malware, viruses and other disruptive activities of individuals or groups) designed to impede the performance of our solutions, penetrate our network security or the security of our solutions, misappropriate proprietary information or cause other interruptions to our business. The impact of such incidents could, among other things, disrupt the proper functioning of our software products, cause errors in the output of our customers' work and allow unauthorized access to sensitive, proprietary or confidential information of ours or our customers and other destructive outcomes. Although we have not identified any such incidents of sabotage or unauthorized access by a third party, if we experience an actual or perceived breach of security in our internal systems or to our software products, it may compromise the integrity of our products, harm our reputation and we could also face lawsuits and potential liability. If any of these events happen, our business and financial results could suffer. In addition, the cost and operational consequences of implementing further data protection measures is expected to increase and such increases may be significant. Also, we could be negatively impacted, including by incurring compliance costs, by existing and proposed laws and regulations related to privacy and data protection.

Although our internal control over financial reporting was considered effective as of December 31, 2014, there is no assurance that our internal control over financial reporting will continue to be effective in the future, which could result in our financial statements being unreliable, government investigation or loss of investor confidence in our financial reports.

The Sarbanes-Oxley Act of 2002, or SOX, imposes certain duties on us. In particular, continued compliance with Section 404 of SOX and the related regulations regarding our assessment of our internal control over financial reporting and the required auditor attestation of such internal control requires the commitment of significant financial and managerial resources. If we fail to maintain the adequacy of our internal controls, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal control over financial reporting. We may also identify material weaknesses or significant deficiencies in our internal control over financial reporting. In the future, if we are unable to assert that our internal controls are effective, our investors could lose confidence in the accuracy and completeness of our financial reports, which in turn could cause our stock price to decline. Failure to maintain effective internal control over financial reporting could also result in investigation or sanctions by regulatory authorities.

Risk Factors Relating to Our Ordinary Shares

Provisions of the Plenus Loan may make an acquisition of us more costly or difficult, which could depress the price of our shares.

Pursuant to the loan agreement between Attunity and Plenus Technologies Ltd. (and certain of its affiliates, or Plenus), dated as of January 31, 2007, as amended, or the Plenus Loan, if on or before December 31, 2017, we enter into a "Fundamental Transaction", which is defined to include a sale through a merger, selling all or substantially all of our assets, or a transaction in which a person or entity acquires more than 50% of our outstanding shares, then we will be required to pay Plenus an amount equal to, in general, the higher of $300,000 or 15% of the aggregate proceeds payable to our shareholders or us in connection with such Fundamental Transaction. Plenus' right to such payment, or the Plenus Right, remains outstanding despite us having repaid the Plenus Loan in full. As a result, an acquisition of our Company that triggers the Plenus Right will be more costly to a potential acquirer and these provisions, taken as a whole, may have the effect of making an acquisition of our Company more difficult. In addition, these provisions could cause our ordinary shares to trade at prices below the price for which third parties might be willing to pay to gain control of us.

Provisions of our OEM agreements with Microsoft may make an acquisition of us more difficult, which could depress the price of our shares.

Pursuant to the OEM agreements we entered with Microsoft with respect to our CDC and open database connectivity, or ODBC, technologies, Microsoft is entitled to a right of first offer, whereby we are required to notify Microsoft in the event that we wish to sell our Company or sell or grant an exclusive license of the technology underlying the CDC or ODBC products, as the case may be, and, if the offer is accepted by Microsoft, negotiate such transaction with Microsoft, or, if rejected by Microsoft, we may enter into such transaction with a third party only on substantially the same or more favorable terms than the initial offer made by us to Microsoft. Microsoft is also entitled to terminate the OEM agreements under certain circumstances, including upon a change of control of our Company. These provisions, taken as a whole, may have the effect of making an acquisition of our Company more difficult. In addition, these provisions could cause our ordinary shares to trade at prices below the price for which third parties might be willing to pay to gain control of us.

Our directors and executive officers own a substantial percentage of our ordinary shares.

As of April 1, 2015, our directors and executive officers beneficially own approximately 17.3% of our outstanding ordinary shares. As a result, if these shareholders acted together, they could exert significant influence on the election of our directors and on decisions by our shareholders on matters submitted to shareholder vote, including mergers, consolidations and the sale of all or substantially all of our assets. This concentration of ownership of our ordinary shares could delay or prevent proxy contests, mergers, tender offers, or other purchases of our ordinary shares that might otherwise give our shareholders the opportunity to realize a premium over the then-prevailing market price for our ordinary shares. This concentration of ownership may also adversely affect our share price.

Issuance of a significant amount of additional ordinary shares and/or substantial future sales of our ordinary shares may depress our share price.

As of April 1, 2015, we had approximately 16.0 million ordinary shares issued and outstanding (including approximately 582,000 ordinary shares recently issued in connection with the acquisition of Appfluent) and approximately 1.9 million of additional ordinary shares which are issuable upon exercise of outstanding employee stock options and warrants. The issuance of a significant amount of additional ordinary shares on account of these outstanding securities will dilute our current shareholders' holdings and may depress our share price.

If our existing shareholders or holders of our options or warrants sell substantial amounts of our ordinary shares, the market price of our ordinary shares may be adversely affected. Any substantial sales of our shares in the public market might also make it more difficult for us to sell equity or equity related securities in the future at a time and on terms we deem appropriate. Even if a substantial number of sales do not occur, the mere existence of this "market overhang" could have a negative impact on the market for, and the market price of, our ordinary shares.

The market price of our ordinary shares may fluctuate and could be substantially affected by various factors.

Our ordinary shares have experienced significant market price and volume fluctuations in the past and may experience significant market price and volume fluctuations in the future. Numerous factors, many of which are beyond our control, may cause our market price and trade volume to fluctuate and decrease, including the following factors:

- quarterly variations in our operating results;
- changes in expectations as to our future financial performance and cash position, including financial estimates by securities analysts and investors;
- announcements of technological innovations or new products by us or our competitors;
- announcements by us or our competitors of significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments;

- changes in the status of our intellectual property rights;
- announcements by third parties of significant claims or proceedings against us; and
- future substantial sales of our ordinary shares.

Domestic and international stock markets and electronic trading platforms often experience extreme price and volume fluctuations. Market fluctuations, as well as general political and economic conditions, such as a recession or interest rate or currency rate fluctuations or political events or hostilities in or surrounding Israel, could also adversely affect the price of our ordinary shares.

If securities analysts do not publish research, or if securities analysts or other third parties publish inaccurate or unfavorable research, about us, the price of our ordinary shares could decline.

The trading market for our ordinary shares will rely in part on the research and reports that securities analysts and other third parties choose to publish about us. We do not control these analysts or other third parties. The price of our ordinary shares could decline if one or more securities analysts downgrade our ordinary shares or if one or more securities analysts or other third parties publish inaccurate or unfavorable research about us or cease publishing reports about us.

Provisions of our articles of association and of Israeli law as well as the terms of compensation of some of our senior management may delay, prevent or make difficult an acquisition of us, which could depress the price of our shares.

The provisions in our articles of association relating to the submission of shareholder proposals for shareholders meetings, and requiring a special majority voting in order to amend certain provisions of our articles of association relating to such proposals as well as to election and removal of directors, may have the effect of delaying or making an acquisition of our Company more difficult. In addition, provisions of Israeli corporate and tax law may have the effect of delaying, preventing or making an acquisition of our Company more difficult. For example, under the Israeli Companies Law, upon the request of a creditor of either party to a proposed merger, the court may delay or prevent the merger if it concludes that there exists a reasonable concern that as a result of the merger the surviving company will be unable to satisfy the obligations of any of the parties to the merger. In addition, our executive officers and certain other key employees are entitled to certain benefits in connection with a change of control of the Company. These provisions could cause our ordinary shares to trade at prices below the price for which third parties might be willing to pay to gain control of us. Third parties who are otherwise willing to pay a premium over prevailing market prices to gain control of us may be unable or unwilling to do so because of these provisions of Israeli law.

We do not intend to pay cash dividends.

Our policy is to retain earnings for use in our business. We have never declared or paid cash dividends, and we do not anticipate paying cash dividends in the foreseeable future.

Risk Factors Relating to Our Operations in Israel

Security, political and economic instability in the Middle East may harm our business.

We are incorporated under the laws of the State of Israel, and our principal offices and research and development facilities are located in Israel. Accordingly, security, political and economic conditions in the Middle East in general, and in Israel in particular, directly affect our business.

Over the past several decades, a number of armed conflicts have taken place between Israel and its Arab neighbors and a state of hostility, varying in degree and intensity, has led to security and economic problems for Israel. Since late 2000, there has also been a high level of violence between Israel and the Palestinians including, most recently, during the summer of 2014, when Israel was engaged in armed conflicts with Hamas, a militia group and political party operating in the Gaza Strip. This violence has strained Israel's relationship with its Arab citizens, Arab countries and, to some extent, with other countries around the world. Since the end of 2010 several countries in the region, including Egypt and Syria, have been experiencing increased political instability, which led to changes in government in some of these countries, the effects of which are currently difficult to assess. In addition, Iran has threatened to attack Israel and is widely believed to be developing nuclear weapons. Iran is also believed to have a strong influence among extremist groups in areas that neighbor Israel, such as Hamas in Gaza and Hezbollah in Lebanon. This situation may potentially escalate in the future to violent events which may adversely affect Israel and us. This instability may lead to deterioration of the political and trade relationships that exist between the State of Israel and these countries. In addition, this instability may affect the global economy and marketplace. Any armed conflicts or political instability in the region, including acts of terrorism as well as cyber-attacks or any other hostilities involving or threatening Israel, would likely negatively affect business conditions and could make it more difficult for us to conduct our operations in Israel, which could increase our costs and adversely affect our financial results. Our commercial insurance does not cover losses that may occur as a result of events associated with the security situation in the Middle East, such as damages to our facilities resulting in disruption of our operations. Although the Israeli government currently covers the reinstatement value of direct damages that are caused by terrorist attacks or acts of war, we cannot assure you that this government coverage will be maintained or will be adequate in the event we submit a claim.

Furthermore, some neighboring countries, as well as certain companies and organizations, continue to participate in a boycott of Israeli firms and others doing business with Israel or with Israeli companies. Similarly, Israeli companies are limited in conducting business with entities from several countries. For example, in 2008, the Israeli legislature passed a law forbidding any investments in entities that transact business with Iran. Restrictive laws, policies or practices directed towards Israel or Israeli businesses could have an adverse impact on the expansion of our business.

In addition, we could be adversely affected by the interruption or curtailment of trade between Israel and its trading partners, a significant increase in the rate of inflation, or a significant downturn in the economic or financial condition of Israel.

Because we received grants from the Israeli Office of the Chief Scientist, we are subject to ongoing restrictions.

We have in the past received royalty-bearing grants from the Office of the Chief Scientist of the Israeli Ministry of Economy (formerly, the Ministry of Industry, Trade and Labor), or the Chief Scientist, for research and development programs that meet specified criteria. Although we have no further obligation to pay royalties to the Chief Scientist in respect of sales of our products, the terms of the Chief Scientist's grants limit our ability to transfer know-how developed under an approved research and development program outside of Israel. In addition, any non-Israeli citizen, resident or entity that, among other things, becomes a holder of 5% or more of our share capital or voting rights, is entitled to appoint one or more of our directors or our chief executive officer, serves as a director of our Company or as our chief executive officer, is generally required to undertake to observe the law governing the grant programs of the Chief Scientist, some of the principal restrictions of which are the transferability limits described above.

It may be difficult to enforce a U.S. judgment against us or our officers and directors and to assert U.S. securities laws claims in Israel.

We are incorporated under the laws of the State of Israel. Service of process upon 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 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 such Israeli 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 law 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 if they determine 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 provides 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.

ITEM 4. INFORMATION ON THE COMPANY

A. HISTORY AND DEVELOPMENT OF THE COMPANY

Corporate History and Details

Attunity Ltd was incorporated under the laws of the State of Israel under the name “I.S.G. Software Industries Ltd.” in 1988 as a company limited by shares. We changed our name to “ISG International Software Group Ltd.” in 1992 and to our current name in October 2000.

We began operations in 1989 and, when we went public on NASDAQ in December 1992, our principal products were the APT (Application Programming Tools) product family of software productivity tools. In 1993, we acquired Attunity Software Services (1991) Ltd. (formerly known as Meyad Computers Company (1991) Ltd.), which owned Mancal 2000 - a financial and logistic application software package. In 1994, we acquired Attunity Inc. (formerly known as Cortex Inc.), which owned CorVision - an application generator for enterprise applications. In 1996, we released Attunity Connect® - a universal data and application access product. In 2004, we released Attunity Stream – a CDC software that captures only the changes made to enterprise data sources with minimal impact on the database systems. In 2005, we released Attunity InFocus – a software platform for workplace-focused composite applications. In 2009, we released Attunity Operational Data Replication – a set of solutions that allow the transfer and synchronization of data between heterogeneous databases. In 2011, we acquired RepliWeb, a leading provider of enterprise file replication and managed file transfer technologies, and released Attunity Replicate, a high-performance data replication software that enables organizations to accelerate and improve the distribution and sharing of data for enhanced accessibility. In 2013, we raised net proceeds of approximately $18 million in a public offering and also acquired Hayes, a leading provider of data replication software for the SAP market. Most recently, in March 2015, we acquired Appfluent, a provider of data usage analytics for Big Data environments.

Our executive headquarters are located at 16 Atir Yeda Street, Atir Yeda Industrial Park, Kfar Saba 4464321, Israel, telephone number (972) 9-899-3000. Our authorized representative and agent in the U.S. is Attunity Inc., our wholly owned subsidiary, which maintains its principal offices at 70 Blanchard Road, Burlington, Massachusetts 01803, telephone number (781) 730-4070. Our address on the Internet is http://www.attunity.com. The information on our website is not incorporated by reference into this annual report.

Recent Major Business Developments

Below is a summary of the major business developments in Attunity since January 1, 2014:

- On March 18, 2015, we acquired Appfluent, a U.S.-based provider of data usage analytics for Big Data environments, including data warehousing and Hadoop, for total consideration of approximately $18.0 million, payable in a combination of cash and our ordinary shares, with additional earnout consideration based on performance milestones in 2015 and 2016.

- On January 13, 2015, we announced that we entered into a strategic technology license agreement with a cloud services company, allowing the partner to use our replication and data transfer technology to facilitate data transfer between heterogeneous data environments and cloud-based systems and services, for total consideration of approximately $7.5 million payable over two years, or over $10.0 million if the partner exercises additional expansion options.

- On November 14, 2014, we acquired the warehouse automation technology and certain related assets of BIReady for total consideration of approximately $1.0 million, payable in a combination of cash and our ordinary shares, with additional earnout consideration of up to $375,000 in cash based on performance milestones in 2015 and 2016.

- On October 14, 2014, we announced the availability of Attunity Replicate 4.0, designed to accelerate the adoption of Hadoop by reducing the complexity of moving Big Data to and from the technology platform.

- On May 21, 2014, we announced the release of Attunity CloudBeam, our cloud data transfer solution, on the Amazon Web Services (AWS) Marketplace.

- On April 2, 2014, we announced the release of Attunity Maestro, our Big Data management platform.

For a discussion of our principal capital expenditures and divestitures, see Item 5.B " Operating and Financial Review and Prospects –Liquidity and Capital Resources –Principal Capital Expenditure and Divestitures."

B. BUSINESS OVERVIEW

Overview

We are a leading provider of information availability software solutions that enable access, management, sharing and distribution of data, including Big Data, across heterogeneous enterprise platforms, organizations, and the cloud.

Our software solutions include data replication (Replicate and Gold Client), data flow management (Maestro), test data management (Gold Client), change data capture (CDC), data connectivity (Attunity Connect), enterprise file replication (RepliWeb), managed-file-transfer (MFT), ARA (RepliWeb for ARA), data warehouse automation (BIReady), data usage analytics (Appfluent Visibility) and cloud data transfer (CloudBeam).

Our software solutions benefit our customers' businesses by enabling real-time access and availability of data and files where and when needed, across the maze of heterogeneous systems making up today's information technology (IT) environment. Our software is commonly used for projects such as data warehousing, Hadoop, Big Data analytics, reporting, migration and modernization, ARA, data distribution and cloud initiatives.

Our products form a comprehensive suite of software infrastructure that is designed to reduce the complexity of managing data to, from, and between today's information systems and enable the use of enterprise information where and when needed. Our software includes products for real-time data integration (including data and file replication); data warehouse automation, data usage analytics and test data management; ARA (a process that automates the deployment and upgrade of custom applications and web content across various stages of the application and content lifecycle); and managed file transfer, or MFT (a process that allows organizations to secure and automate business-to-business information exchanges over standard internet connections). In addition, we offer a software as a service, or SaaS, based platform with a portfolio of services to enable cloud data loading and replication.

Over the years, our company and products have also won a number of awards for ingenuity, performance and innovation, including the following recent awards:

- In December 2014, our Attunity Maestro solution was named in DBTA Magazine's 'List of Trendsetting Products in Data for 2015';
- In June 2014, CRN Magazine selected Attunity as a "Big Data 100" company in its annual list recognizing the most innovative technology vendors that offer products and services to help businesses manage Big Data;
- In June 2014, CIO Review selected Attunity as a "Big Data 100" company in its annual list recognizing the most promising Big Data companies; and
- In June 2014, Attunity was named 'One of the Most Important Companies in Data Today' by Database Trends and Applications (DBTA) Magazine.

We are not responsible for any of these awards or the entities that award them.

Through direct sales as well as distribution, OEM agreements and strategic relationships with leading global-class partners, our solutions have been deployed at thousands of organizations worldwide in all areas of industry, including government, financial services, healthcare, insurance, energy, telecommunications, manufacturing, retail, pharmaceuticals and the supply chain industry.

The Market Opportunity and Our Solutions

We believe that the world of IT data infrastructure is undergoing a significant change, one that enables very large information assets to be accessible in a timely manner, reaching more users through more applications and devices. This new paradigm in information access requires support for service-based standards, real-time detection of critical events, and the ability to manage very large quantities of datasets, to which we refer as Big Data. Consequently, our main focus and strategy is to strengthen our position as a leading provider of information availability software solutions, including real-time data integration and replication, data warehouse automation, data usage analytics, data flow management, ARA and test data management.

In 2009, we expanded our product offering to target the data replication market, an important segment of the data integration market that enables the real-time availability and consistency of data across heterogeneous databases. Specifically, we focused on what we call Operational Data Replication, or ODR, software solutions, which are designed to make information available to support operational business intelligence. We have since expanded on our technology to support a variety of mission-critical data initiatives. Based, among other things, on market studies and inputs from our customers and prospects, we believe that the need for heterogeneous data integration and replication will continue to increase with the adoption of cloud computing and Hadoop, as organizations start to manage data both in on-premises data centers and in cloud-based systems. In this respect, we focus, through our internal research and development activities as well as acquisitions, on high-speed bulk data transfer and CDC capabilities to support both environments. For example, in November 2014, we acquired BIReady's data warehouse automation technology, which allows us to offer a solution that facilitates and accelerates the process of making data ready in a data warehouse or data marts for use in business intelligence (BI) and analytics. Most recently, in March 2015, we acquired Appfluent in order to expand our Big Data offering with data usage analytics for Big Data environments, including data warehousing and Hadoop, designed to allow customers to understand data usage and processing workload to optimize cost and performance.

We believe that our suite of software solutions and services responds to the market need we identified by providing the following key benefits:

- our solutions allow organizations to select, access, detect, notify and act upon changing data and critical business events in real-time, and realize the full benefits of being a 'real-time enterprise';
- our solutions simplify the growing, complex maze of different database and data warehouse systems, platforms, versions and hardware, on-premises and in the cloud, reducing the costs of interconnectivity and opening up the opportunity for new and more valuable cross-system applications;
- our solutions empower organizations to manage all types of data structure, across substantially all network environments, and throughout commercially-relevant business applications and computing environments;
- our solutions enable real-time availability and modeling of data required to support business intelligence, analytics, and operations, a requirement that is now a common enabler for improved efficiencies and competitive advantage; and
- our solutions enable customers to understand how they use and process data across data warehouses and Hadoop, which allows them to optimize the cost and performance of their evolving Big Data environments.

Our Strategy

The key elements of our strategy to achieve our objectives include:

- *Extend our Product Leadership*. Our flexible, open and standards-based architecture extends integration opportunities into more business applications and enterprise computing environments, including cloud computing. Our goal is to provide the most comprehensive and reliable suite of data optimization, automation and availability software solutions for enterprise data centers and cloud environments that provide data usage analytics and accelerate information access and movement, improve system uptime and reduce operational overhead and complexities.

- *Expand Our Selling Capabilities*. We market and sell our products in the U.S., the U.K., Europe, Asia-Pacific regions, the Middle East and Latin America through direct sales, OEM, reseller and distributor channels. We intend to continue to expand our sales channels in those territories and seek to enter into agreements with new OEMs and other indirect channels.

- *Enter New Markets*. To date, our revenues have been derived predominantly from licensing our software to enterprises that use it in their data centers and cloud environments to enable Big Data analytics, data integration, business intelligence, release automation, file replication and test data management. We believe that our software is well positioned to meet the new and fast-growing markets of Big Data and cloud computing (including cloud data warehousing, analytics, the “Industrial Internet of Things”, Hadoop-based environments, cloud data archiving, and disaster recovery), adding value to customers with new solutions as these markets evolve. We intend to capitalize upon these opportunities by marketing our software and services to companies with real-time information needs.

- *Increase Penetration of Our Existing Customer Base*. Over the years, our software solutions were licensed to over 2,500 customers worldwide and that base continues to grow. This large installed base affords us a unique opportunity for cross-selling our expanded product offering and future software solutions. By way of example, through our acquisition of Appfluent, we are now in a position to cross-sell and up-sell our solutions to existing customers who leverage our Attunity Replicate solution.

- *Expand and Leverage our Strategic Relationships*. We believe that a significant market opportunity exists to sell our software with the complementary products and services provided by other organizations with whom we wish to collaborate. To that end, we have already established strategic relationships with various third parties, including leading global-class partners such as Microsoft, IBM, Oracle, HP, EMC Pivotal, Amazon Web Service (AWS), SAP and Teradata, where our software is sold as a complementary product to their product line, or embedded within their own products. We plan to extend our existing strategic relationships and develop new alliances (such as in the Hadoop market) with leading global software providers, equipment manufacturers, application service providers, systems integrators and VARs, in order to extend the functionality of our software and increase sales. Doing so will also allow us to leverage the sales and marketing capabilities of our alliance partners and facilitate the wider adoption of our software.

- *Pursue Strategic Acquisitions and Investments*. In order to achieve our business objectives, we may evaluate and pursue the acquisition of, or significant investments in, other complementary companies, technologies, products and/or businesses that enable us to enhance and increase our technological capabilities and expand our software products and service offerings. For instance, in November 2014, we acquired BIReady's technology in order to provide data warehouse automation capabilities and, in March 2015, we acquired Appfluent in order to expand our Big Data offering with data usage analytics for Big Data environments, including data warehousing and Hadoop.

Our Products

Our software offering currently consists of the following key products:

Attunity Maestro

Attunity Maestro, which we launched in April 2014, is an enterprise-class information flow management and automation platform, integrating mission-critical data. The solution accelerates and orchestrates data transmission and deployment processes of Big Data and other large-file assets throughout global data center and cloud environments. Maestro is designed to meet the needs of a diverse portfolio of users like IT Operations, "lines of business" and risk management teams, and to provide controls for defining, executing, managing and auditing all transaction and automation initiatives. The key features of Attunity Maestro are:

- Cascading, distribution and consolidation
- Central monitoring and management for Attunity products
- Process flow designing

Attunity Replicate

Attunity Replicate is a high-performance data replication software, which we believe enables organizations to accelerate and reduce the costs of distributing, sharing and ensuring the availability of data for meeting business operations and business intelligence needs. Using Attunity Replicate, organizations can load data efficiently and quickly to operational data stores/warehouses and Hadoop; create copies of production databases to enable operational reporting; offload queries from operational systems to reduce load and impact; facilitate zero-downtime migrations and upgrades; and distribute data across data sources/centers. Instead of relying on a complex, resource-intensive ETL (Extract/Transform/Load) process which moves data in batches, Attunity enables ELT with a simple yet powerful GUI (Graphic User Interface) expediting the traditionally-slow process of data provisioning. The key features of Attunity Replicate are:

- Complete automation and optimized high-performance database replication, including database schema, data and changes
- Simplified user experience delivering a "Click-2-Replicate" solution, which means it allows the user to simplify and automate the implementation of end-to-end data replication
- Heterogeneous replication supporting many types of source and target databases, including cloud

Attunity Gold Client

Attunity Gold Client Solutions is our replication software for data management within the SAP environments. We believe that businesses around the world choose Gold Client Solutions to maximize the value of their investments in SAP, by reducing enterprise storage requirements, improving the quality and availability of test data, restoring development integrity, and ensuring data security. Using Gold Client Solutions, customers can quickly select and copy subsets of only relevant data from production or non-production sources to non-production targets, with options to simultaneously scramble sensitive data and keep data subsets in sync across systems. Gold Client Solutions reside natively in the SAP application layer and supports a broad list of SAP applications. The key features of Gold Client are:

- Replicating data with all relevant data, exactly as it exists in the source
- Providing flexible selection methods allow any criteria to identify data for replication
- Creating smaller, fully functional clients
- Migrating select data to new or existing environments, on premises or in the cloud
- Simultaneously copying relevant data on multiple SAP applications
- Protecting sensitive data at export with extensive, extendable transformation rules
- Selectively deleting unwanted data in non-production systems

Appfluent Visibility

Appfluent Visibility (which we offer through the recent acquisition of Appfluent in March 2015) is a software that provides data usage analytics for Big Data environments, including data warehousing and Hadoop. It is designed to provide visibility into usage and processing workloads of enterprise data, including insight into business activity, data usage and resource consumption across heterogeneous analytic data platforms, thereby optimizing the cost and performance of the customers' evolving Big Data environments. The key features of Appfluent Visibility are:

- Monitoring all data usage and processing activity on leading data warehouses and Hadoop, to assess resource utilization for ETL and analytical workloads
- Analyze data usage and workload resource utilization to enable performance or cost optimization (e.g. by moving data or processing to lower cost storage or processing platforms like Hadoop)
- Discovers history of data used from large tables by analyzing calendar dates used in queries
- Audit and report on application activity and data usage by business units to chargeback and justify investments
- Integrates with leading Business Intelligence (BI) applications to correlate application users and report activity with usage

Attunity Managed File Transfer (MFT)

Attunity MFT is a file transfer management solution that allows organizations to secure and automate business-to-business information exchanges over standard internet connections. Attunity MFT delivers security policy enforcement, auditing, inspection policies, routing, and accelerated transfers of large-file payloads across each stage of the file transfer process. The key features of MFT are:

- Secure two–tier demilitarized zone architecture (a physical or logical separation between internal and external network or computing environments, which helps organizations address regulatory, compliance and information security requirements)
- Ability to address user, server and application-driven file transfer processes
- Support for most commercial encryption and security policies
- Rich application programming interface, or API, that supports extensive inspection policies and file routing

Attunity RepliWeb for EFR

Attunity RepliWeb for EFR is a heterogeneous file system and storage replication solution, optimized for Wide Area Network (WAN) infrastructures. The solution provides organizations with widely distributed (global/regional/local) operations, a highly reliable and fast way to replicate, mirror, backup and/or migrate unstructured data. The key features of Attunity RepliWeb for EFR are:

- Comparative snap-shot technology enabling delta only replication
- Accelerated WAN transfer engines
- Extensive file and content include/exclude definitions
- Real-time replication engines for Windows server environments

Attunity RepliWeb for ARA

Attunity RepliWeb for ARA is an ARA and Web deployment solution for Windows (.NET & SharePoint), UNIX and Linux applications and web infrastructures. The product is used by IT operations, application development and content/marketing teams to manage and automate the deployment of applications and digital content across on-premise and cloud-based servers. The key features of Attunity RepliWeb for ARA are:

- Robust automation and scheduling engines
- End-to-end auditing and reporting of managed processes
- One-click rollback of applications, content & configurations

Attunity CloudBeam

Attunity CloudBeam is our fully-managed data transfer SaaS-based platform that is designed to move data to, from, and between on-premises and cloud environments quickly, reliably and affordably. We believe that Attunity CloudBeam helps users to realize the value of cloud computing by alleviating the challenges of uploading and managing the transmission of Big Data, also known as the "Big Data bottleneck," as well as address other infrastructure maintenance challenges. Supporting AWS cloud storage services, Attunity CloudBeam facilitates solutions such as loading data for analytics in the cloud, disaster recovery, content distribution, and cloud migrations. The key features of Attunity CloudBeam are:

- Automation – provides robust scheduling of data transfer processes, including continuous synchronization. The command line interface also enables application level automation
- Acceleration – high-performance movement of very large files and large numbers of files to, from, and between on-premises and cloud environments
- Manageability – enables user to manage cloud data movement without the overhead of building and maintaining cloud infrastructure
- Reliability – provides comprehensive audited and recoverable file transfers
- Security – encrypts all transfers to ensure data is not tampered with or viewed inappropriately
- Affordability – subscription-based services enable customers to pay based on usage

Attunity BIReady

Attunity BIReady (which we offer through the acquisition of BIReady's technology in November 2014) is a data warehouse automation software that we believe accelerates and simplifies the process of designing, generating and populating enterprise data warehouses and data marts. By supporting the entire lifecycle of data warehousing through agile automation, BIReady helps to eliminate the traditionally complex, manual tasks of preparing data for BI and Big Data analytics and their inherent dependency on many ETL development resources. The key features of BIReady are:

- Model-driven solution for managing the process of building a data warehouse
- Automated generation of data warehouse and data marts structures
- Automated generation of ETL processing, optimized for each supported data warehouse
- Automated maintenance and change management
- Support for many data warehouses including Teradata, Oracle/Exadata, IBM Netezza, and SQL Server

Sales and Marketing

Our products and services are sold through both direct and indirect channels, including distributors, VARs and OEM partners.

We maintain direct sales operations through wholly owned subsidiaries in the United States, the United Kingdom, Hong Kong and Israel. In several countries in Europe, South and Central America as well as in China, Japan, Singapore, South Korea and Taiwan, we distribute our products through independent distributors. Our direct field force (including marketing, sales, technical pre-sales and support personnel) as of December 31, 2014 was comprised of a total of 70 persons, of which 50 persons were in North America; 17 persons were in Europe, the Middle East and Africa; and 3 persons were in the Asia Pacific region.

Over the course of the past several years, we have focused on developing long-term strategic partnerships with platform vendors, business intelligence vendors, resellers, VARs, OEMs, system integrators and managed service providers and other business partners, including leading global-class partners such as Microsoft, IBM, Oracle, HP, EMC Pivotal, AWS, SAP and Teradata. For example, in January 2015, we announced that we had entered into a strategic technology license agreement with a cloud services company, allowing the partner to use our replication and data transfer technology to facilitate data transfer between heterogeneous data environments and cloud-based systems and services.

Customer Support Services

We provide the following direct support services to our customers:

Hot-line Support. We provide technical advice and information on the use of our products. Our hot-line support is also responsible for publishing technical bulletins and distributing new versions of software and program "patches". Such hot-line customer support is typically provided through toll-free telephonic support during business hours, which, for an additional fee, can be extended to 24 hours a day, seven days a week. We have hot-line operations in the United States, Israel and China. Support is provided via telephone, remote-access and e-mail and, in the case of our Gold Client solutions, also through dedicated website resources that include videos and other documentation. A substantial majority of our customers are covered by support contracts, with, in some cases, services being provided by local subcontractors or resellers.

Training. We provide classroom and on-site training in the use and, where necessary, implementation, of our products. The courses, which, where appropriate, are also provided as online learning programs, typically include product use education, product troubleshooting and system management. Our customers receive documentation that includes user manuals, reference manuals, tutorials, installation guides and release notes.

Professional Services. We offer consulting services and system integration assistance to customers, although most of our products do not require material support in implementation. In respect of our Gold Client solutions, we offer customers professional services for the implementation of the product, including installation assistance of the software, software configuration specific to the SAP application version, custom table analysis, custom configuration when needed, and training.

Seasonality

Our business is subject to seasonal trends, primarily in the third quarter ending September 30, when we have typically experienced relatively low sales mainly as a result of reduced sales activity of our customers and prospects during the summer months. We have also often recognized a substantial portion of our revenues in the last quarter of the year and in the last month, or even weeks or days, of a quarter.

Customers

Our products are sold, directly and indirectly, primarily to large and medium-size enterprises engaged in all areas of industry, including government, financial services, healthcare, insurance, energy, telecommunications, manufacturing, retail, pharmaceuticals and the supply chain industry, including governmental and public institutions. As described above under "Sales and Marketing," our products are also sold indirectly through a number of regional resellers and other business partners, including world-class OEM partners.

For the years ended December 31, 2013 and 2014, no single customer accounted more than 10% of our total revenues. For the year ended December 31, 2012, Microsoft accounted for approximately 10.9% of our total revenues.

In the past three years, a substantial majority of our license revenues were derived from our connectivity and data replication products. The balance of license revenues were derived from our file replication products, which consist of our file replication, MFT, ARA and data flow management solutions, as well as our Gold Client Solutions Suite for SAP test data management.

In the past three years, a substantial majority of our maintenance and support revenues were derived from both our connectivity and data replication products (including Gold Client) as well as from maintenance of our file replication products.

In terms of geographic markets in the past three years, a substantial majority of our revenues were from sales in North America (74% in 2014) and Europe (17% in 2014).

For additional details regarding the breakdown of our revenues in the past three years by geographical distribution and by activity, see Item 5.A "Operating and Financial Review and Prospects – Operating Results – Results of Operations".

Competition and Pricing

General: The IT marketplace is highly competitive and has few barriers to entry. The primary competitive factors affecting sales of our products are product performance and features, depth of product line, technical support and price. We compete both with international and local software vendors, many of whom have significantly greater financial, technical and marketing resources than us.

We anticipate continued growth and competition in this market and, consequently, the entrance of new competitors into the market or intensified competition, including by way of consolidation. In the past few years, we have identified a trend of consolidation in the software industry in general, and in the real-time data integration market in particular, such as IBM's acquisition of Aspera (December 2013), Informatica Corporation's acquisition of Wisdom Force (July 2011) and Oracle's acquisition of GoldenGate Software (July 2009). Consolidation and mergers in our market may result in stronger competition by larger companies that threatens our market positioning. New entrants may also include the IT departments of current and potential customers of ours that develop solutions that compete with our products.

Connectivity and Data Replication: The competitors with our connectivity (including CDC) and data replication offering include Oracle (through GoldenGate), Informatica Corporation and IBM. Our existing and potential competitors may be able to develop software products and services that are as effective as, or more effective or easier to use, than those offered by us. Such existing and potential competitors may also enjoy substantial advantages over us in terms of research and development resources, manufacturing efficiency, name recognition, sales and marketing expertise, distribution channels, as well as financial resources. However, we believe that our connectivity and data replication products are generally competitive in price and features and have certain advantages as compared to competitors' products.

ARA/Web Deployment: Our competitors in the ARA and Web Deployment market include major platform vendors, such as Microsoft, IBM and HP; server provisioning and configuration management vendors, such as BMC Software, Inc., CA Inc. and Serena Software, Inc.; and other providers of open source and freeware solutions. Our commercial competitors in this market enjoy significant advantages over us primarily in their abilities to manage both the operating systems and application stacks, stronger global brand recognition and deeper product development capabilities. The open source and freeware solutions offer significant cost benefits compared to our and other commercial solutions. However, we believe our offerings are competitive in that they address the needs of heterogeneous computing and application infrastructures, reduce the potential for vendor lock-in, are quicker and easier to install, and deliver a quicker total return on investment.

Managed File Transfer (MFT): Our competitors in the MFT market include the larger global software and middleware vendors, such as IBM (Sterling Commerce), Axway Software SA and Tibco Software Inc.; mid-tier software vendors, such as Globalscape Inc. and Ipswitch Inc.; and SaaS vendors such as Box.net and Dropbox. The MFT market is highly competitive with the larger global software vendors possessing significant advantages over us in terms of stronger global brand recognition, current feature sets, research and development resources, and sales infrastructure. Additionally, we face increased competition from SaaS vendors who offer low first-year product acquisition costs. However, we believe our MFT solution provides a competitive portfolio of features that addresses the mainstream market needs, has a lower total cost of ownership and delivers high enterprise value.

Enterprise File Replication (EFR): Our competitors in the EFR market include the major platform vendors such as Microsoft, IBM and HP; the large storage management vendors such as EMC, CA and Symantec; mid-tier replication vendors such as Vision Solutions, Inc. (Double-Take Software); as well as other providers of open source and freeware solutions. The larger commercial vendors have strong visibility and penetration with storage management processes such as de-duplication and archival processes. The open source and freeware solutions offer significant cost benefits compared to our and other commercial solutions. However, we believe our EFR solution is very competitive in its ability to reliably manage massive file/folder structures, its ability to address organizations with large numbers of server endpoint connected over WAN links, and our low total cost of ownership.

SAP Data Replication and Management: Our competitors in the SAP data replication and management market include major platform vendors, such IBM and SAP itself; global consulting services and software solutions vendors, such as Informatica, EPI-USE and BackOffice; and storage management providers, such as EMC and NetApp. Our competitors in this market enjoy advantages over us in terms of stronger global brand recognition and greater research and development and sales resources. However, we believe our solutions for SAP data are competitive in their ability to offer a rich portfolio of features and a quick implementation process, and deliver a quick total return on investment.

Data Warehouse Automation: Our competitors in the data warehouse automation market are primarily the traditional ETL vendors like Informatica and IBM. Our competitors in this market enjoy advantages over us in terms of stronger global brand recognition, research and development resources and sales infrastructure. However, we believe our data warehouse automation solutions deliver a modern alternative to these competitors' traditional software that require significant developer investment that increases total costs and time to value. With an innovative model-driven technology, our data warehouse automation software can automate the process of making data ready for BI and analytics, significantly reducing the need for ETL development.

Data Usage Analytics: Our competitors in the data usage analytics market consist primarily of tools provided by data warehouse vendors, such as Teradata and Oracle. Our competitors in this market enjoy advantages over us in terms of stronger global brand recognition and greater research and development and sales resources. However, these vendors' tools are limited to their respective data warehouse, whereas our Appfluent Visibility solution supports a broad range of data warehouses as well as Hadoop, providing unified analytics across many Big Data environments. We also believe that our solution provides more robust measurement and deeper analytics for data usage compared to traditional data warehouse tools that focus on operational monitoring.

Intellectual Property Rights and Software Protection

While we have one registered patent for a method for compressing and decompressing files in the field of file transfer software, we primarily rely upon a combination of security devices, copyrights, trademarks, trade secret laws and contractual restrictions to protect our proprietary rights in our products. Our policy has been to pursue copyright protection for our software and related documentation and trademark registration of our product names. In addition, our employees and independent contractors are generally required to sign non-disclosure agreements.

We have obtained trademark registrations in the U.S. for, among others, Attunity, Attunity Connect, Attunity Federate, Attunity Replicate, RepliWeb, Better Data, Smaller Databases, Data Echo, Data Recast, Gold Client and Appfluent.

We believe that copyright protection, which generally applies whether or not a license agreement exists, is sufficient to protect our proprietary rights in our products. We do not currently own any registered copyrights. Our policy is for our customers to sign non-transferable software license agreements providing contractual protection against unauthorized use of the software. Preventing the unauthorized use of software is difficult, and unauthorized software use is a persistent problem in the software industry. However, we believe that, because of the rapid pace of technological change in the software industry, the legal protections for our products are less significant factors in our success than the knowledge, ability and experience of our employees, the frequency of product enhancements and the timeliness and quality of support services provided by us.

Government Regulations

General

Israel has the benefit of a free trade agreement with the United States which, generally, permits tariff-free access into the United States for products produced by us in Israel. In addition, as a result of an agreement entered into by Israel with the European Union, or the EU, and countries remaining in the European Free Trade Association, or EFTA, the EU and EFTA have abolished customs duties on Israeli industrial products.

Grants from the Office of the Chief Scientist

The Government of Israel encourages research and development projects through the Chief Scientist pursuant to the Law for the Encouragement of Industrial Research and Development, 1984, and the regulations promulgated thereunder, or the R&D Law. Generally, grants from the Chief Scientist constitute up to 50% of qualifying research and development expenditures for particular approved projects. Under the terms of these Chief Scientist projects, a royalty of 3% to 5% is due on revenues from sales of products and related services that incorporate know-how developed, in whole or in part, within the framework of projects funded by the Chief Scientist. Royalty obligations are usually 100% of the dollar-linked amount of the grant, plus interest.

We have not received grants since 2000 and, since 2006, we have not had any liability to pay royalties to the Chief Scientist. Nevertheless, the R&D Law provides that know-how developed under an approved research and development program or rights associated with such know-how may not be transferred to third parties in Israel without the approval of the Chief Scientist. Such approval is not required for the sale or export of any products resulting from such research or development. The R&D Law, as amended, further provides that the know-how developed under an approved research and development program or rights associated with such know-how may not be transferred to any third parties outside Israel, except in certain special circumstances and subject to the Chief Scientist's prior approval. The Chief Scientist may approve the transfer of Chief Scientist-funded know-how outside Israel, generally, in the following cases: (a) the grant recipient pays to the Chief Scientist a portion of the sale price paid in consideration for such Chief Scientist-funded know-how (according to certain formulas, which may result in repayment of up to 600% of the grant amounts plus interest), (b) the grant recipient receives know-how from a third party in exchange for its Chief Scientist-funded know-how, or (c) such transfer of Chief Scientist-funded know-how arises in connection with certain types of cooperation in research and development activities.

The R&D Law also imposes reporting requirements with respect to certain changes in the ownership of a grant recipient. The law requires the grant recipient and its controlling shareholders and non-Israeli interested parties to notify the Chief Scientist of any change in control of the recipient or a change in the holdings of the means of control of the recipient that results in a non-Israeli becoming an interested party directly in the recipient and requires the new non-Israeli interested party to undertake to the Chief Scientist to comply with the R&D Law. In addition, the rules of the Chief Scientist may require additional information or representations in respect of certain of such events. For this purpose, "control" is defined as the ability to direct the activities of a company other than any ability arising solely from serving as an officer or director of the company. A person is presumed to have control if such person holds 50% or more of the means of control of a company. "Means of control" refers to voting rights or the right to appoint directors or the chief executive officer. An "interested party" of a company includes a holder of 5% or more of its outstanding share capital or voting rights, its chief executive officer and directors, someone who has the right to appoint its chief executive officer or at least one director, and a company with respect to which any of the foregoing interested parties owns 25% or more of the outstanding share capital or voting rights or has the right to appoint 25% or more of the directors. Accordingly, any non-Israeli who acquires 5% or more of our ordinary shares will be required to notify the Chief Scientist that it has become an interested party and to sign an undertaking to comply with the R&D Law.

C. ORGANIZATIONAL STRUCTURE

Our wholly owned subsidiaries act as marketing and customer service organizations in the countries where they are incorporated and in most instances for neighboring countries. The following table sets forth the legal name, location and country of incorporation and percentage ownership of each of our current principal operating subsidiaries (direct and indirect):

Subsidiary Name	Country of Incorporation	Ownership Percentage
Attunity Inc.	United States	100%
Attunity (UK) Limited	United Kingdom	100%
Attunity (Hong Kong) Ltd.	Hong-Kong	100%
Attunity Israel (1992) Ltd.	Israel	100%
RepliWeb Inc.	United States	100%
Hayes Technology Group, Inc.	United States	100%
Appfluent Technology, LLC	United States	100%

D. PROPERTY, PLANTS AND EQUIPMENT

General. Other than the leased properties described below, we do not own or lease any material tangible fixed assets. We believe that these offices and facilities are suitable and adequate for our operations as currently conducted and as currently foreseen. In the event additional or substitute offices and facilities are required, we believe that we could obtain such offices and facilities at commercially reasonable rates.

Israel. Our executive research and development facilities and sales offices are located in the industrial park of Kfar Saba, Israel. The lease expires in February 2018 and may be extended for two additional periods of three years each. The aggregate annual rent for our Israeli facilities was approximately $625,000 in 2014, compared with $535,000 in 2013 (which was comprised in 2013 of this facility and another facility that we left in mid-March 2013). We provided our Israeli office lessor with a bank guarantee in the amount of approximately $430,000 to secure our obligations under the lease.

North America. We lease approximately 7,700 square feet of office space in Burlington, MA; approximately 2,500 square feet of office space in Coconut Creek, FL; and approximately 4,300 square feet of office space in Buffalo Grove, IL. The aggregate annual rent of these facilities was approximately $289,000 in 2014 (which was comprised in 2014 of these facilities and another facility that we left in February 2014), compared with approximately $155,000 in 2013. In March 2015, we leased additional office space in Burlington of approximately 4,800 square feet, for annual rent of approximately $113,000. In April 2015, we leased additional office space in Newport Beach, CA, for annual rent of approximately $86,000.

Other Locations. We lease office space in Hong Kong and in Chertsey, England (where we expect to lease additional office space during 2015). The aggregate annual rent for these premises was approximately $232,000 in 2014 (compared with $160,000 in 2013).

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Our discussion and analysis of our financial condition and results of operation are based upon our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. Our operating and financial review and prospects should be read in conjunction with our financial statements, accompanying notes thereto and other financial information appearing elsewhere in this annual report.

A. OPERATING RESULTS

Overview

We were founded in 1988 and became a public company in the United States in 1992. We have been delivering software solutions to organizations around the world for over twenty years and we are now a leading provider of information availability software solutions that enable access, management, sharing and distribution of data, including Big Data, across heterogeneous enterprise platforms, organizations, and the cloud.

Our software solutions include data replication (Replicate and Gold Client), data flow management (Maestro), test data management (Gold Client), change data capture (CDC), data connectivity (Attunity Connect), enterprise file replication (RepliWeb), managed-file-transfer (MFT), ARA (RepliWeb for ARA), data warehouse automation (BIReady), data usage analytics (Appfluent Visibility) and cloud data transfer (CloudBeam). These software solutions benefit our customers' businesses by enabling real-time access and availability of data and files where and when needed, across the maze of heterogeneous systems making up today's information technology (IT) environment. Our software is commonly used for projects such as data warehousing, Hadoop, Big Data analytics, reporting, migration and modernization, ARA, data distribution and cloud initiatives.

Through direct sales as well as distribution, OEM agreements and strategic relationships with leading global-class partners, our solutions have been deployed at thousands of organizations worldwide in all areas of industry, including government, financial services, healthcare, insurance, energy, telecommunications, manufacturing, retail, pharmaceuticals and the supply chain industry.

Executive Summary

2014 Highlights

In 2014, our total revenues were approximately $35.7 million, compared to $25.2 million in 2013. Our total revenues were comprised of:

- License revenues that increased by 51% to $20.1 million in 2014, compared to $13.4 million in 2013. The increase in license revenues mainly resulted from (1) increased demand for our Attunity Replicate solution, (2) revenue from sales of Attunity Gold Client (associated with the acquisition of Hayes in December 2013), (3) strong sales due to improved marketing leads and execution of sales, including increased presence in Europe, (4) additional revenues from one of our OEM partners due to certain royalty adjustments, and (5) revenues from the recently announced license agreement with a cloud service provider; and

- Maintenance and services revenues that increased by 31% to $15.5 million, compared to $11.8 million in 2013. The increase is primarily due to (1) maintenance and service revenues from Attunity Gold Client (associated with the acquisition of Hayes in December 2013) and (2) an increase in license revenues generated throughout 2013 that contributed to higher maintenance revenues in 2014.

Our operating loss for 2014 was $65,000 compared to operating loss of $58,000 for 2013.

Our operating loss contributed to a net loss of $1.7 million, or ($0.11) per diluted share, in 2014, compared to a net loss of $0.6 million, or $(0.05) per diluted share, in 2013.

We had cash and cash equivalents and restricted cash of approximately $19.4 million as of December 31, 2014 compared with $16.5 million as of December 31, 2013. This increase in our cash position is mainly attributable to an increase in cash flows we generated from operations.

Our shareholders' equity increased to $31.2 million as of December 31, 2014 compared to $30.1 million as of December 31, 2013.

2015 Outlook

We identified the following trends that may influence our market and the demand for our software solutions:

- Big Data is a key target market for Attunity given our ability to enable data usage analytics and information availability. Our solutions facilitate the usage optimization, replication and transfer of large amounts of structured and unstructured data to enable analytics and business intelligence. This is a sector that continues to grow rapidly, with numerous software vendors, developers and integrators looking to invest substantial resources in this market.

- The already large open systems database, or DBMS, market, which is a target market for Attunity with our data replication software solutions, continues to grow. In addition, there is continued and accelerated growth of the amounts of data stored and managed by organizations, as well as a growing need and expectation by business users to have fresh and up-to-date information, sometimes referred to as information immediacy.

- The adoption of Hadoop is growing rapidly across industries and the world. Organizations are adding it to their IT environments to enable quicker and more nimble and cost-effective processing of Big Data. Likewise, the demand for data integration and loading solutions that support Hadoop and its technology ecosystem is increasing.

- The "Industrial Internet of Things" refers to the integration of complex physical machinery with networked sensors and software (creating large amounts of Big Data), together with machine-to-machine communication over wide distances, for the purpose of analyzing it all together (often in real-time), to gain better insights. These insights enable organizations to adjust and optimize operations. This evolving trend is presenting new opportunities for our solutions primarily because it creates large amounts of Big Data that require real-time access and availability.

- Cloud computing, which is a relatively new target market for Attunity with our data replication software solutions, continues growing significantly, with numerous software vendors, developers and integrators looking to invest substantial resources in this market.

- Ongoing extensive growth in unstructured data and a need to deploy, migrate and integrate this data across distributed computing environments and into competent Big Data systems, including Hadoop.

While we believe that these trends will present significant opportunities for us, they also pose significant challenges and risks, including those described under Item 3.D "Risk Factors" above.

In 2015, we intend to continue to invest in expanding our sales and marketing, developing and marketing new solutions and products, such as Attunity Maestro, Appfluent Visibility and BIReady, and enhancing existing solutions and products, including support for new partner solutions and markets. We believe that this strategy will enable us to support continued sales growth and enhance market acceptance for our offerings.

Our ability to continue our growth and achieve profitability depends, in part, on the global economy and the growth rates and changes in technology trends in industries in which we operate, as well as the level of market acceptance of our solutions. As such, our results may be adversely affected if there is a further economic slowdown, a decrease in the overall market's IT spending, a reduction in the capital expenditures by companies in our target markets or a failure of our new products to achieve market recognition.

For additional details regarding our capital resources and contractual obligations, see Item 5.B "Operating and Financial Review and Prospects– Liquidity and Capital Resources – Principal Financing Activities," Item 5.B "Operating and Financial Review and Prospects– Liquidity and Capital Resources –Outlook" and Item 5.F "Operating and Financial Review and Prospects– Tabular Disclosure of Contractual Obligations."

Critical Accounting Policies

The preparation of financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, we evaluate our estimates and judgments, including, but not limited to those related to (1) revenue recognition; (2) stock-based compensation; (3) liabilities presented at fair value; (4) provisions for income taxes; (5) business combinations; and (6) goodwill. We base our estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Under different assumptions or conditions, actual results may differ from these estimates.

We believe that the following significant accounting policies are the basis for the most significant judgments and estimates used in the preparation of our consolidated financial statements.

Revenue Recognition. We generate revenues mainly from license fees and sub-license fees for the right to use our software products, maintenance, support, consulting and training services. We sell our products primarily through our direct sales force to customers and indirectly through distributors, OEMs and VARs. Both the customers and the distributors or resellers are considered end users. We are also entitled to fees from some of our OEMs and VARs upon the sublicensing of our software to end users. We account for software sales in accordance with Accounting Standards Codification, or ASC, No. 985-605, "*Software Revenue Recognition*", or ASC No. 985-605.

Revenues from license and services fees are recognized when persuasive evidence of an arrangement exists, delivery of the product has occurred or the services have been rendered, the fee is fixed or determinable and collectability is probable. We usually do not grant a right of return to our customers.

We determine that persuasive evidence of an arrangement exists with respect to a customer when we have a purchase order from the customer, a written contract or an approved quote, which is signed by both us and customer (documentation is dependent on the business practice for each type of customer).

Our software may be either physically or electronically delivered to the customer. We determine that delivery has occurred upon shipment of the software or when the software is made available to the customer through electronic delivery, when the customer has been provided with access codes that allow the customer to take immediate possession of the software on its hardware. We consider all arrangements with payment terms extending beyond five months not to be fixed or determinable. If the fee is not fixed or determinable, revenue is recognized as payments become due from the customer, provided that all other revenue recognition criteria have been met.

We determine whether collectability is probable on a case-by-case basis. When assessing probability of collection, we consider the number of years in business and history of collection. If we determine from the outset that collectability is not probable based upon our review process, revenue is recognized as payments are received.

With regard to software arrangements involving multiple elements, we allocate revenues to the different elements in the arrangement under the "residual method," in accordance with ASC No. 985-605, when Vendor Specific Objective Evidence, or VSOE, of fair value exists for all undelivered elements. Under the residual method, at the outset of the arrangement with the customer, we defer revenue for the fair value of our undelivered elements (maintenance and support) and recognize revenue for the remainder of the arrangement fee attributable to the elements initially delivered in the arrangement (software product) when the basic criteria have been met. Any discount in the arrangement is allocated to the delivered element.

Our determination of fair value of each element in multiple-element arrangements is based on the price charged when the same element is sold separately. We have established VSOE for professional services based on the hourly or daily rates we charge when we sell such services separately. VSOE for maintenance and support is determined based upon the price charged for renewals of such services.

Fees from OEMs or VARs are calculated either as a percentage of the revenue generated by the seller on sales of our products, or as a percentage of the OEM's or VAR's products in which our products are embedded, as specified in the applicable agreement. Those revenues are recognized on a quarterly basis in arrears based on reports received from the OEM or VAR.

Maintenance and support revenue included in multiple element arrangement is deferred and recognized on a straight-line basis over the term of the maintenance and support agreement.

Services revenues are recognized as the services are performed.

Deferred revenues include unearned amounts received under maintenance and support contracts and amounts charged to customers but not recognized as revenues.

Stock-based Compensation. We account for equity-based compensation in accordance with ASC No. 718, *"Compensation – Stock Compensation."* Under the fair value based measurement approach of this statement, stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as an expense over the requisite service period. 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, equity-based compensation expense and our results of operations would be impacted.

We estimate the fair value of employee stock options using a Black-Scholes-Merton valuation model. The fair value of an award is affected by our share price on the date of grant as well as other assumptions, including the estimated volatility of our share price over the expected term of the awards, and the estimated period of time that we expect employees to hold their stock options. The risk-free interest rate assumption is based upon U.S. Treasury interest rates appropriate for the expected life of the awards. We use the historical volatility of our ordinary shares in order to estimate future share price trends. In order to determine the estimated period of time that we expect employees to hold their stock options, we use the "simplified method" as adequate historical experience is not available to provide a reasonable estimate. The simplified method will continue to apply until enough historical experience is available to provide a reasonable estimate of the expected term. Our expected dividend rate is zero since we do not currently pay cash dividends on our common stock and do not anticipate doing so in the foreseeable future.

Liabilities Presented at Fair Value. The Plenus Right (see Item 10.C "Material Contracts – Plenus Loan" and Note 6 to our consolidated financial statements) is considered as a derivative and classified as liability in accordance with ASC No. 815-40, *"Contracts in Entity's Own Equity"*, or ASC No. 815-40, and is marked to market at each reporting date. As of December 31, 2014 and 2013, the liability associated with the Plenus Right amounted to $906,000 and $1,093,000, respectively.

We determined the fair value of the Plenus Right taking into account data provided by a third-party valuation specialist who assisted us in estimating the probability of occurrence of events triggering the exercisability of such right and used the Cox, Ross and Rubinstein's Binomial model for options valuation; however, we are ultimately responsible for determining the value. In the model: (1) the fair value is affected by our share price on the date of measurement as well as other assumptions, including the estimated volatility of our share price over the term of this instrument; and (2) the risk-free interest rate assumption is based upon U.S. Treasury interest rates appropriate for the term of this instrument. We use the historical volatility of our ordinary shares in order to estimate future share price trends and our expected dividend rate is zero since we do not currently pay cash dividends on our ordinary shares and do not anticipate doing so in the foreseeable future.

Provisions for Income Taxes. We are subject to income taxes in Israel, the United States and a number of other foreign jurisdictions. Significant judgment is required in evaluating our uncertain tax positions and determining our provision for income taxes. Based on the guidance in ASC No. 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 expense or 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, as well as the related interest and penalty.

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 do not record valuation allowances for deferred tax assets that we believe are more likely than not to be realized in future periods. While we believe the resulting tax balances as of December 31, 2014 and 2013 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 11 to our consolidated financial statements included elsewhere in this annual report for further information regarding income taxes.*

Our income tax may be subject to audits by the tax authorities which may 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 account for business combinations in accordance with ASC No. 805, *"Business Combinations"*, or ASC No. 805. ASC No. 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 accordance with business combination accounting, we allocate the purchase price of acquired companies to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values. In addition, we expense acquisition-related expenses as they are incurred. We engage third-party appraisal firms to assist management in determining the fair values of certain assets acquired and liabilities assumed. Such valuations require our management to make significant estimates and assumptions, especially with respect to intangible assets.

Our management makes estimates of fair value based upon assumptions it believes to be reasonable. These estimates are based on historical experience and information obtained from the management of the acquired companies and relevant market and industry data and are, inherently, uncertain. Critical estimates made in valuing certain of the intangible assets include, but are not limited to, the following: (1) future expected cash flows from license sales, maintenance agreements, customer contracts and acquired developed technologies and patents; and (2) discount rates. Unanticipated events and circumstances may occur which may affect the accuracy or validity of such assumptions, estimates or actual results. Changes to these estimates, relating to circumstances that existed at the acquisition date, are recorded as an adjustment to goodwill during the purchase price allocation period (generally within one year of the acquisition date) and as operating expenses, if otherwise.

In connection with purchase price allocations, we estimate the fair value of the maintenance and support obligations assumed in connection with acquisitions. The estimated fair value of the maintenance and support obligations is determined utilizing a cost build-up approach. The cost build-up approach determines fair value by estimating the costs related to fulfilling the obligations plus a normal profit margin. The sum of the costs and operating profit approximates, in theory, the amount that we would be required to pay a third party to assume the support obligation. *See Note 3 to our consolidated financial statements for additional information on accounting for our recent acquisitions.*

Goodwill. Goodwill is measured as the excess of the cost of acquisition over the sum of the amounts assigned to tangible and identifiable intangible assets acquired less liabilities assumed.

We review goodwill for impairment at least annually, typically on October 31st of each year, or more frequently if events or changes in circumstances indicate that the carrying value of goodwill may not be recoverable. We test goodwill using the two-step goodwill impairment process in accordance with ASC 350, "Intangibles-Goodwill and Other". 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 will 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 goodwill 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. As of December 31, 2014, no impairment of goodwill has been identified.

Results of Operations

The following discussion of our results of operations for the years ended December 31, 2014, 2013 and 2012, including the following table, which presents selected financial information data in dollars and as a percentage of total revenues, is based upon our statements of operations contained in our financial statements for those periods, and the related notes, included in this annual report.

On December 18, 2013, we completed the acquisition of Hayes. As a result of this transaction, the revenues and expenses of Hayes are consolidated with our results of operations starting December 18, 2013. The assets and liabilities of Hayes are consolidated with our balance sheet as of December 31, 2013. *See Note 3 to our consolidated financial statements included in this annual report.*

	Year Ended December 31, *(U.S. dollars in thousands)*					
	2014		**2013**		**2012**	
Software licenses	56%	20,128	53%	13,364	57%	14,437
Maintenance and services	44%	15,524	47%	11,833	43%	11,042
Total Revenues	100%	$ 35,652	100%	$ 25,197	100%	$ 25,479
Operating expenses:						
Cost of software licenses	2%	$ 890	3%	$ 748	3%	831
Cost of maintenance and services	7%	2,431	5%	1,384	6%	1,525
Research and development	26%	9,316	31%	7,756	30%	7,748
Selling and marketing	54%	19,136	47%	11,793	39%	9,833
General and administrative	11%	3,944	14%	3,574	12%	3,024
Total operating expenses	100%	35,717	100%	25,255	90%	22,961
Operating income (loss)	*	(65)	*	(58)	10%	2,518
Financial expenses, net	3%	893	2%	627	5%	1,241
Income / (loss) before taxes on income	(3)%	(958)	(3)%	(685)	5%	1,277
Taxes on income (income tax benefit)	2%	734	(*)	(56)	(1)%	(209)
Net income (loss)	(5)%	$ (1,692)	(2)%	$ (629)	6%	$ 1,486

* Less than 1%

Comparison of Years Ended December 31, 2014, 2013 and 2012

Revenues. Our revenues are derived primarily from software licenses, maintenance and services. For additional details regarding the manner in which we recognize revenues, see the discussion under the caption "*Critical Accounting Policies - Revenue Recognition*" above.

The following table provides a breakdown of our revenues by type of revenues, relative percentages out of total revenues during the last three fiscal years as well as the percentage change between such periods (dollars in thousands):

	2014		**2013**		**2012**		**Percent change 2014 vs. 2013**	**Percent change 2013 vs. 2012**
Software licenses	$ 20,128	56%	$ 13,364	53%	$ 14,437	57%	51%	(7)%
Maintenance and services	15,524	44%	11,833	47%	11,042	43%	31%	7%
Total	$ 35,652	100%	$ 25,197	100%	$ 25,479	100%	41%	(1)%

The following table provides a breakdown by geographical area of our revenues (including maintenance and services revenues), relative percentages out of total revenues during the last three fiscal years as well as the percentage change between such periods (dollars in thousands):

	2014		2013		2012		Percent change 2014 vs. 2013	Percent change 2013 vs. 2012
North America	$ 25,993	74%	$ 17,529	70%	$ 16,568	65%	48%	6%
Europe	6,085	17%	4,322	17%	4,932	19%	41%	(12)%
Far East	1,532	4%	1,774	7%	1,478	6%	(14)%	20%
Israel	817	2%	761	3%	948	4%	7%	(20)%
Other	1,225	3%	811	3%	1,553	6%	51%	(48)%
Total	$ 35,652	100%	$ 25,197	100%	$ 25,479	100%	41%	(1)%

In 2014, our total revenues were approximately $35.7 million, compared to $25.2 million in 2013. Total revenues were comprised of:

- License revenues that increased by 51% to $20.1 million in 2014, compared to $13.4 million in 2013. The increase in license revenues mainly resulted from (1) increased demand for our Attunity Replicate solution, (2) revenue from sales of Attunity Gold Client (associated with the acquisition of Hayes in December 2013), (3) strong sales due to improved marketing leads and execution of sales, including increased presence in Europe, (4) additional revenues from one of our OEM partners due to certain royalty adjustments, and (5) revenues from the recently announced license agreement with a cloud service provider; and

- Maintenance and services revenues that increased by 31% to $15.5 million, compared to $11.8 million in 2013. The increase is primarily due to (1) maintenance and service revenues from Attunity Gold Client (associated with the acquisition of Hayes in December 2013) and (2) an increase in license revenues generated throughout 2013 that contributed to higher maintenance revenues in 2014.

In 2013, our total revenues were approximately $25.2 million, compared to $25.5 million in 2012. Total revenues were comprised of:

- License revenues that decreased by 7% to $13.4 million in 2013, compared to $14.4 million in 2012. The decrease in license revenues mainly resulted from lower than expected sales of our solutions during the first half of 2013 with $5.0 million in license revenues, compared to $7.1 million in the first half of 2012. We attribute this decrease primarily to the generation of fewer marketing leads and a relatively weak execution of sales, both through our direct sales and our OEM partners. In the second half of 2013, we were able to improve our marketing and sales operations and our license revenues grew to $8.4 million, compared to $7.3 million in the second half of 2012. The growth in license revenues in the second half of 2013 was primarily due to increase in the average size of our deals and in the number of transactions, which we attribute to our expanded sales and marketing initiatives during that period and an increase in license revenues from one of our OEM partners, which we attribute to the modification in the commercial terms of the OEM agreement with such partner; and

- Maintenance and services revenues that increased by 7% to $11.8 million, compared to $11.0 million in 2012. The increase is primarily due to an increase in license revenues generated throughout 2012 that contributed to higher maintenance revenues in the 2013.

While our revenues increased between 2012 and 2014 primarily in North America, where revenues increased from approximately $16.6 million in 2012 to $26.0 million in 2014, we believe the change in our revenues is primarily related to the aforesaid factors, rather than a specific demand for our products in any region.

Cost of Revenues. Cost of software license revenues consists of amortization of core technology acquired and, until 2013, royalties to a third party. Cost of maintenance and services consists primarily of salaries of employees performing the services and related overhead.

The following table sets forth a breakdown of our cost of revenues between license and maintenance and services for the last three fiscal years as well as the percentage change between such periods (dollars in thousands):

	2014	2013	2012	Percent change 2014 vs. 2013	Percent change 2013 vs. 2012
Cost of software licenses	$ 890	$ 748	$ 831	19%	(10)%
Cost of maintenance and services	2,431	1,384	1,525	76%	(9)%
Total	$ 3,321	$ 2,132	$ 2,356	56%	(10)%

Our cost of revenues increased to approximately $3.3 million in 2014 from approximately $2.1 million in 2013. This increase is mainly due to (1) cost of revenues of approximately $0.6 million associated with the acquisition of Hayes (Hayes' operating results are consolidated with our results of operations starting December 19, 2013), (2) an increase of approximately $0.5 million mostly due to an increase in professional services personnel (the headcount of product and customer support, including professional services, personnel increased from 14 at the end of 2013 to 19 at the end of 2014), and (3) an increase of approximately $0.2 million in amortization of acquired intangible assets.

Our cost of revenues decreased to approximately $2.1 million in 2013 from approximately $2.4 million in 2012. This decrease is mainly due to (1) a decrease in amortization of capitalized software development expenses from approximately $0.2 million in 2012 to zero in 2013 and (2) a decrease of approximately $0.1 million in our employee related costs.

Operating Expenses. The following table sets forth a breakdown of our operating expenses for the last three fiscal years as well as the percentage change between such periods (dollars in thousands):

	2014	2013	2012	Percent change 2014 vs. 2013	Percent change 2013 vs. 2012
Research and development	$ 9,316	$ 7,756	$ 7,748	20%	0%
Selling and marketing	19,136	11,793	9,833	62%	20%
General and administrative	3,944	3,574	3,024	10%	18%
Total	$ 32,396	$ 23,123	$ 20,605	40%	12%

Research and Development. Research and development, or R&D, expenses consist primarily of salaries of employees engaged in on-going research and development activities and other related costs.

Total R&D costs increased by approximately 20% from $7.8 million in 2013 to $9.3 million in 2014. The increase is attributed mainly to (1) the contribution of Hayes to our R&D costs of approximately $0.8 million and (2) an increase of approximately $0.7 million in our employee related costs due to compensation adjustments, certain expenses associated with such adjustments, and an increase in equity-based compensation. Research and development headcount increased from 58 at the end of 2013 to 63 at the end of 2014.

Total R&D costs remained at the same level with $7.8 million in 2013, compared to $7.7 million in 2012. In 2013, our employee related costs, including stock-based compensation expenses, decreased by approximately $0.1 million compared to 2012. This decrease was offset by an increase of approximately $0.1 million in rent expenses.

Selling and Marketing. Selling and marketing expenses consist primarily of costs relating to compensation and overhead to sales, marketing and business development personnel, travel and related expenses, and sales offices maintenance and administrative costs.

Selling and marketing expenses increased by approximately 62% to $19.1 million in 2014 from $11.8 million in 2013. This increase is primarily due to (1) an increase of approximately $4.2 million in costs related to the expansion of our sales and marketing teams (from 54 employees as of December 31, 2013 to 70 employees as of December 31, 2014), consistent with our strategy to increase our global footprint, (2) the contribution of Hayes to our selling and marketing expenses of approximately $1.2 million, (3) an increase of $0.8 million in travel and rent expenses, consistent with our strategy to increase our global footprint, (4) additional investment in marketing activities of approximately $0.4 million to support this expansion, and (5) an increase in equity-based compensation expenses of approximately $0.3 million.

Selling and marketing expenses increased by approximately 20% to $11.8 million in 2013 from $9.8 million in 2012. This increase is primarily due to (1) an increase of approximately $1.0 million in costs related to the expansion of our sales and marketing teams (from 33 employees as of December 31, 2012 to 54 employees as of December 31, 2013) during 2013, consistent with our strategy to increase our global footprint, (2) additional investment in marketing activities of approximately $0.5 million to support this expansion, and (3) related expenses that resulted in an increase of $0.4 million in travel and rent expenses.

General and Administrative. General and administrative expenses consist primarily of compensation costs for finance, general management and administration personnel, and legal, audit, and other administrative costs.

General and administrative expenses increased by approximately 10% to $3.9 million in 2014 from $3.6 million in 2013. The increase is primarily attributable to (1) an increase in corporate and legal expenses, mainly associated with sales, of approximately $0.4 million, (2) an increase in equity-based compensation expenses of approximately $0.2 million, and (3) an increase of approximately $0.1 million in our employee related costs due to compensation adjustments and an increase in performance-based compensation. This increase was partially offset by a decrease in expenses associated with acquisitions of approximately $0.5 million.

General and administrative expenses increased by approximately 18% to $3.6 million in 2013 from $3.0 million in 2012. The increase is primarily attributable to expenses associated with the acquisition of Hayes that amounted to $0.5 million.

Operating Loss. Based on the foregoing, our operating loss increased from approximately $58,000 in 2013 to $65,000 in 2014. In 2012, we had an operating income of $2,518,000.

Financial Expenses, Net. In 2014, we had net financial expenses of $893,000 compared to approximately $627,000 in 2013. This increase is attributed mainly to accretion of contingent obligations related to acquisitions, which was recorded in 2014 in the amount of approximately $682,000, compared to $95,000 in 2013. In addition, financial expenses associated with currency hedging activities were approximately $201,000 in 2014, compared to financial income of $21,000 in 2013. This increase in financial expenses was partially offset by a decrease in financial expenses of approximately $550,000 that was attributed to a revaluation of the Plenus Right presented at fair value.

In 2013, we had net financial expenses of $627,000 compared to approximately $1.2 million in 2012. This decrease is attributed mainly to an expense of $717,000 that we recorded in 2012 related to the conversion and repayment of the Convertible Notes and the loan to us from Plenus during 2012, resulting in no financial expense in 2013. In addition, the financial expenses associated with the $2.0 million contingent milestone payment due in connection with the RepliWeb acquisition were approximately $66,000 in 2013, compared to $265,000 in 2012. This decrease in financial expenses was partially offset by an increase in financial expense of (1) approximately $140,000 that was attributed to a revaluation of the Plenus Right presented at fair value, and (2) approximately $90,000 associated with increase of expenses associated with exchange rate differences (mainly due to the revaluation of the NIS in relation to the dollar in 2013).

Taxes on Income. The corporate tax rate in Israel was 26.5% for 2014, compared with 25% in 2013 and 2012.

Taxes on income in 2014 were $734,000 compared to income tax benefit of $56,000 in 2013. The increase is mainly due to an increase in the taxable income of our U.S. subsidiaries, as we have utilized all U.S. tax loss carryforwards in 2014. The increase was partially offset by a change in deferred tax assets and liabilities with respect to acquired intangible assets.

Income tax benefit for 2013 was $56,000 compared to $209,000 in 2012. The net change mainly relates to changes in deferred tax assets and liabilities with respect to acquired intangible assets and tax loss carryforwards.

For additional details regarding our income taxes, see also note 11 to our consolidated financial statements included elsewhere in this annual report and "Item 10E – Taxation – Israeli Tax Considerations."

Impact of Currency Fluctuations and of Inflation

Our financial results may be negatively impacted by foreign currency fluctuations and inflation.

Except as set forth below, foreign currency fluctuations and the rate of inflation did not have a material impact on our financial results in the past three years.

In 2014, the revaluation of the dollar in relation to the NIS decreased the dollar reporting value of our operating expenses by approximately $0.1 million for that year compared with 2013. Since the beginning of 2014, we have been engaged in several currency hedging transactions intended to reduce the effect of fluctuations in currency exchange rates on our financial statements. As of December 31, 2013 and 2014, the fair value of our outstanding forward and cylinder contracts amounted to approximately $0 and ($196,000), respectively.

For additional details, see Item 11 "Qualitative and Quantitative Disclosures about Market Risk" below.

B. LIQUIDITY AND CAPITAL RESOURCES

In the past few years, we financed our operations through cash generated by operations, equity investments in private placements, short-term loans and, until mid-2012, borrowings under loans from Plenus and the Convertible Notes. In November 2013, we raised proceeds in a public offering, as described below.

Our funding and treasury activities are conducted within corporate practices to maximize investment returns while maintaining appropriate liquidity for both our short and long term needs. Cash and cash equivalents are held primarily in U.S. dollars and NIS.

Principal Financing Activities

In the past two years, we have engaged in several financing activities designed to improve our cash position, as follows:

Public offering. On November 26, 2013, we closed a firm commitment underwritten public offering of 2,852,000 ordinary shares (including 372,000 ordinary shares issued to the underwriter upon full exercise of its over-allotment option), at a public offering price of $7.00 per share. The net proceeds for us were approximately $18.0 million.

Credit Line. In August 2012, we secured a short-term line of credit of approximately $1.0 million from an Israeli bank, which credit line expired in April 2014. Draws under the credit line bore interest, most of which at the bank's cost of funds plus a margin of 3.0%.

Working Capital and Cash Flows

As of December 31, 2014, we had $19.4 million in cash and cash equivalents (including restricted cash of $0.4 million), compared to $16.5 million in cash and cash equivalents as of December 31, 2013. The increase is mainly due to increase in cash flows we generated from operations.

As of December 31, 2013 and 2014, we did not have any third-party debt other than the short-term credit line that expired in April 2014. As of December 31, 2014, our working capital amounted to $11.6 million, compared to $12.3 million as of December 31, 2013.

The following table presents the major components of net cash flows used in and provided by operating, investing and financing activities for the periods presented (dollars in thousands):

	2014	2013	2012
Net cash provided by operating activities	$ 3,091	$ 262	$ 1,942
Net cash provided by (used in) investing activities	(1,624)	(4,826)	54
Net cash provided by financing activities	1,009	17,322	363

In the past three years, we used a significant portion of our cash for acquisitions. In 2014, 2013 and 2012, we paid a total of approximately $0.7 million, $4.2 million and $4.4 million, respectively, as cash consideration (including contingent consideration paid during these years but excluding consideration payable in ordinary shares) for this purpose (namely, the acquisitions of BiReady, Hayes and RepliWeb described elsewhere in this annual report).

Net cash provided by operating activities was $3.1 million in 2014, compared to approximately $0.3 million in 2013 and $1.9 million in 2012. The increase from 2013 to 2014 is mainly due to $1.7 million increase in net cash inflow from deferred revenues and decrease of $1.0 million in net cash outflow from accrued expenses. This increase was partially offset by a $0.3 million increase in net cash outflow from trade payables. The decrease from 2012 to 2013 is mainly attributed to a decrease in net income as compared to 2012.

Net cash used in investing activities in 2014 was approximately $1.6 million, compared to $4.8 million in 2013 and compared to net cash provided by investing activities in 2012 of $54,000. The change between 2014 and 2013 is mainly attributable to $4.2 million of cash paid in connection with the acquisition of Hayes in December 2013. The change between 2013 and 2012 is attributable mainly to the aforesaid $4.2 million of cash paid in connection with the acquisition of Hayes as well as our relocation to new office space in Israel during the first quarter of 2013, which resulted in capital expenditures in the amount of approximately $0.7 million.

Net cash provided by financing activities in 2014 was $1.0 million, compared to $17.3 million in 2013 and $0.4 million in 2012. The decrease between 2014 and 2013 is attributable mainly to $18.0 million raised in the public offering during 2013. The increase between 2012 and 2013 is mainly due to the aforesaid 2013 public offering as well as proceeds of approximately $1.1 million we received from exercises of warrants and stock options during 2013 (compared to proceeds of approximately $0.6 million we received from exercises of warrants and stock options in 2012). This increase was partially offset by the payment, in April 2013, of $2.0 million to RepliWeb's former shareholders, as a full and final payment of the contingent consideration payable to them in connection with the acquisition of RepliWeb.

Principal Capital Expenditure and Divestitures

During 2014, our capital expenditures totaled approximately $446,000 (compared to $663,000 during 2013 and $308,000 during 2012), most of which were used for the purchase of computer equipment. Other than future capital expenditures in connection with the purchase of computers and licensee software and consistent with the amounts described in 2014, we have no significant capital expenditures in progress. We did not affect any principal divestitures in the past three years.

Outlook

Currently, our principal commitments consist of liability for the contingent payments due to (1) Hayes former shareholders in the amount of up to $4.2 million (presented in our consolidated financial statements at present value of approximately $3.9 million), which, if earned, is generally payable in April 2015 and 2016 (we expect to make payment of approximately $2.0 million in April 2015), (2) BIReady in the amount of up to EUR 300,000 (approximately $0.4 million) (presented in our consolidated financial statements at present value of approximately $0.3 million), which, if earned, is generally payable in April 2016 and 2017, and (3) Appfluent former shareholders (not yet presented in our consolidated financial statements) which, if earned, is generally payable in April 2016 and 2017. *See also Item 5.F "Tabular Disclosure of Contractual Obligations."*

In light of our cash balances and other factors, including our ability to generate cash from operations, we believe that our existing capital resources will be adequate to satisfy our working capital and capital expenditure requirements for a period of no less than the next twelve months.

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

The software industry is characterized by rapid product changes resulting from new technological developments, performance improvements and lower hardware costs and is highly competitive with respect to timely product innovation. We, through our research and development and support personnel, work closely with our customers and prospective customers to determine their requirements, to design enhancements and new releases to meet their needs and to adapt our products to new platforms, operating systems and databases. Research and development activities for all products principally take place in our research and development facilities in Israel and in Illinois. As of December 31, 2014, we employed 63 persons in research and development compared to 58 persons as of December 31, 2013.

We have committed substantial financial resources to our research and development efforts. During 2014, 2013 and 2012, our research and development expenditures were approximately $9.3 million, $7.8 million and $7.7 million, respectively.

As described in *Item 4.B "Information on the Company - Business Overview - Government Regulations,"* we participated in the past in programs sponsored by the Chief Scientist.

D. TREND INFORMATION

See Item 5.A "Operating Results – Executive Summary."

E. OFF-BALANCE SHEET ARRANGEMENTS

We do not have any off-balance sheet arrangements, as such term is defined under Item 5.E of the instructions to Form 20-F, that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

F. TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The following table summarizes our contractual obligations and commercial commitments, as of December 31, 2014:

Contractual Obligations	Payments due by period (U.S. dollars in thousands)				
	Total	Less than 1 year*	1-3 Years	3-5 Years	More than 5 Years
Severance pay obligation (1)	1,049	--	--	--	--
Operating lease obligations (2)	4,315	1,414	2,181	720	--
Hayes and BIReady contingent payment obligations (3)	4,262	2,054	2,208	--	--
Total (4)	$ 9,626	$ 3,468	$ 4,389	$ 720	$ -

* For 2015.

(1) Severance payments of $4,296,000 are payable only upon termination, retirement or death of the respective employee. Of this amount, $1,049,000 is unfunded. Since we are unable to reasonably estimate the timing of settlement, the timing of such payments is not specified in the table. See also Note 2(s) to our Consolidated Financial Statements.

(2) Includes rent expenses of approximately $3,975,000 related to our leased facilities for the next five years.

(3) Includes: (a) the fair value of contingent payment of up to $4,200,000 in the aggregate payable in April 2015 and in April 2016 to former Hayes shareholders and (b) the fair value of contingent payment of up to EUR 300,000 (approximately $375,000) in the aggregate payable in April 2016 and April 2017 to BIReady.

(4) As of December 31, 2014, these figures exclude (1) $93,000 for an accrual for uncertain income tax position under ASC No. 740, *"Income Taxes,"* because we are unable to reasonably estimate the ultimate amount or timing of settlement of this amount (see Note 11(f) of our consolidated financial statements included elsewhere in this annual report), and (2) $906,000 for liabilities presented at fair value associated with the Plenus Right because we are unable to reasonably estimate the ultimate amount of, or timing of payment for, such Plenus Right (see Note 6 of our consolidated financial statements included elsewhere in this annual report).

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. DIRECTORS AND SENIOR MANAGEMENT

The following lists the name, age, principal position and a biographical description of each of our current directors and senior management.

Name	Age	Director Since	Position with the Company
Shimon Alon	65	2004	Chairman of the Board of Directors and Chief Executive Officer
Dror Harel-Elkayam	47	- -	Chief Financial Officer and Secretary
Mel Passarelli	58	- -	Vice President, North American Operations
Erez Zeevi	49	- -	Vice President, Research and Development and Worldwide Support
Dov Biran	62	2003	Director
Dan Falk (1) (2)	70	2002	Director
Tali Alush-Aben (1) (2)	51	2008	Outside Director
Ron Zuckerman	57	2004	Director
Gil Weiser (1) (2)	73	2010	Outside Director

(1) Member of the Audit Committee.

(2) Member of the Compensation Committee.

Shimon Alon was appointed Chairman of our Board of Directors in April 2004 and was appointed our Chief Executive Officer in June 2008. From September 1997 until June 2003, Mr. Alon served as Chief Executive Officer of Precise Software Solutions Ltd., or Precise, a provider of application performance management. Since the acquisition of Precise by Veritas Software Corp., or Veritas, in June 2003, Mr. Alon has served as an executive advisor to Veritas. Prior to Precise, Mr. Alon held a number of positions at Scitex Corporation Ltd. and its subsidiaries, including President and Chief Executive Officer of Scitex America and Managing Director of Scitex Europe. Mr. Alon holds a degree from the Executive Management Program at the Harvard Business School.

Dror Harel-Elkayam was appointed Chief Financial Officer in October 2010. Prior to that, he served as our Vice President - Finance and Secretary since October 2004. From August 1997 until June 2003, he served as the Director of Finance and Corporate Secretary of Precise. Since the acquisition of Precise by Veritas in June 2003 and until September 2004, he served as a Director of Finance of Precise. Mr. Harel-Elkayam holds a B.A. degree in economics and accounting from the Hebrew University, Jerusalem. He is also a certificated public accountant in Israel.

Mel Passarelli was appointed Vice President, North American Operations in April 2007. From 2005 until 2007, he served as Vice President, Worldwide Sales in Vistagy, Inc. (now a part of Siemens). Prior to Vistagy, Mr. Passarelli served in senior management roles at Artisoft Inc., Omtool Ltd. and Intergraph Corporation (now part of Hexagon). Mr. Passarelli holds a B.A. degree in economics and political science and an M.B.A. degree in marketing and finance, both from the State University of New York in Buffalo. He also holds a J.D. from Suffolk University School of Law in Boston.

Erez Zeevi was appointed as our Vice President, Research and Development and Worldwide Support in March 2009. From January 2006 until March 2009, he served as our Director of Research and Development. Mr. Zeevi joined Attunity in 1993 and has served in various positions associated with our Research and Development activities. He holds a B.Sc. degree in software engineering from the Technion, Israel Institute of Technology in Haifa.

Dr. Dov Biran has been a director since December 2003. From March 2000 through October 2001, he served as acting Chief Executive Officer, Chief Technology Officer and a Director of Attunity. Dr. Biran is the founder and the Chief Executive Officer of Fitango, Inc. Prior thereto, Dr. Biran was the founder and President of Bridges for Islands, which was acquired by us in February 2000. Dr. Biran was the Chief Executive Officer of Optimal Technologies, Chief Information Officer of Dubek Ltd. and an officer in the computer unit of the Israeli Defense Forces. He also served as a Professor of entrepreneurship and computers at Babson College, Northeastern University and Tel Aviv University. Dr. Biran holds a B.Sc., M.B.A., and a Ph.D. in computers from Tel Aviv University.

Dan Falk has been a director since April 2002. From 1999 until 2000, he served as the President and Chief Operating Officer and then Chief Executive Officer of Sapiens International Corporation N.V., or Sapiens, a publicly traded company that provides cost-effective business software solutions. From 1995 until 1999, Mr. Falk was Executive Vice President and Chief Financial Officer of Orbotech Ltd., a maker of automated optical inspection and computer aided manufacturing systems. Mr. Falk is a member of the boards of directors of Orbotech, Nice Systems Ltd., and Ormat Technologies, Inc., and the Chairman of the Board of Directors of AVT-Advanced Vision Technology Ltd. He holds a B.A degree in economics and political science and an M.B.A. degree, both from the Hebrew University, Jerusalem.

Tali Alush-Aben has been an outside director since December 2008. She is currently an independent consultant. Until January 2008, she was a General Partner at Gemini, an Israeli venture capital fund she joined in 1994. Her focus in Gemini was primarily on software companies. Prior to joining Gemini, she served as Marketing Director of RadView, then a start-up software company, and as Senior Product Marketing Manager at SunSoft Inc. From 1990 to 1992, she served as Marketing Director for Mercury Interactive Corporation. Ms. Alush-Aben is also a member of the board of directors of Vizrt Ltd. She holds a B.Sc. degree in mathematics and computer science and an M.B.A. degree, both from Tel-Aviv University.

Ron Zuckerman has been a director since May 2004. Mr. Zuckerman co-founded Precise and served as its Chairman until it was acquired by Veritas in June 2003. Mr. Zuckerman co-founded Sapiens and served as its Chairman and Chief Executive Officer until March 2000. Mr. Zuckerman was a co-founder and director of GVT Holdings SA, a Brazilian telephone operator, until it was acquired by the Vivendi Group in late 2009. Mr. Zuckerman was also an early investor and a director of Wintegra Inc. until it was acquired by PMC-Sierra Inc. in late 2010. He is also an investor and a director in several other privately held companies. Mr. Zuckerman holds a B.Sc. degree in economics from Brandeis University.

Gil Weiser has been an outside director since December 2010. Mr. Weiser currently serves as a director of several companies, including ClickSoftware Technologies Ltd., and as the Chairman of BG Technologies Ltd. He has more than 25 years of experience in management and operations, with executive posts at corporate, academic and financial entities. He served as the Chief Executive Officer of Orsus Solutions Ltd. from August 2006 to June 2010, and as the Chief Executive Officer of Hewlett Packard (Israel) and CMS Corporation from 1995 to 2000. From 1993 until 1995, he served as President and Chief Executive Officer of Fibronics International Inc. and as Chief Executive Officer of Digital (DEC Israel) from 1978 to 1993. He also served as a director of the Tel Aviv Stock Exchange from 2002 to 2004 and as Chairman of the Multinational Companies Forum. Mr. Weiser holds a B.Sc. degree from Technion, Israel Institute of Technology in Haifa as well as a M.Sc. degree in science from the University of Minnesota.

Additional Information

There are no family relationships between any of the directors or members of senior management named above.

Our articles of association provide for a Board of Directors of not fewer than two nor more than eleven members. Our Board of Directors is currently composed of six directors (including the two outside directors). Officers serve at the pleasure of the Board of Directors, subject to the terms of any agreement between the officer and us. In accordance with the Companies Law, the concurrent office of Mr. Alon as both our Chairman and Chief Executive Officer for a term of three years was approved by our shareholders in December 2014.

Messrs. Alon, Biran, Falk and Zuckerman will serve as directors until our annual general meeting of shareholders in 2015. Ms. Alush-Aben was re-elected as an outside director in December 2014 for an additional three-year term. Mr. Weiser was re-elected as an outside director in December 2013 for an additional three-year term.

We are not aware of any arrangements or understandings with major shareholders, customers, suppliers or others, pursuant to which any person referred to above was selected as a director or member of senior management.

B. COMPENSATION

Aggregate Executive Compensation

Our objective is to attract, motivate and retain highly skilled personnel who will assist Attunity to reach its business objectives, performance and the creation of shareholder value and otherwise contribute to its long-term success. In December 2013, our shareholders approved the compensation policy for our executive officers and directors, or the Compensation Policy, which was designed to correlate executive compensation with Attunity's objectives and goals and otherwise embraces a performance culture that is based on merit, and differentiates and rewards excellent performance in the long term.

The following table sets forth all cash and cash-equivalent compensation we paid with respect to all of our directors and executive officers as a group for the periods indicated:

	Salaries, fees, commissions and bonuses	Pension, retirement and similar benefits
2014 - All directors and executive officers as a group, consisting of 9 persons for the year ended December 31, 2014	$ 1,522,000	$ 236,000
2013 - All directors and executive officers as a group, consisting of 8 persons for the year ended December 31, 2013	$ 1,023,000	$ 163,000

We provide leased automobiles to our executive officers in Israel pursuant to standard policies and procedures.

During 2014, we granted to our directors and officers listed in Item 6A above options to purchase, in the aggregate, 287,185 ordinary shares at a weighted average exercise price per share of $10.43. The options expire in 2020. The weighted average fair value of these options as of the grant date was $4.85 per option. *For a discussion of the accounting method and assumptions used in valuation of such options, see Note 10 to our consolidated financial statements included elsewhere in this annual report. See also "Item 6.E. - Directors, Senior Management and Employee – Share Ownership — Equity Incentive Plans" below.*

Individual Compensation of Covered Executives

The table and summary below outline the compensation granted to our five most highly compensated "office holders" during or with respect to the year ended December 31, 2014. The Companies Law defines the term “office holder” of a company to include a director, the chief executive officer, the chief business manager, a vice president and any officer that reports directly to the chief executive officer. We refer to the five individuals for whom disclosure is provided herein as our “Covered Executives.”

For purposes of the table and the summary below, “compensation” includes base salary, bonuses (including sales commissions), equity-based compensation, retirement or termination payments, benefits and perquisites such as car, 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, 2014.

Name and Principal Position (1)	Annual Base Salary (2)	Bonus (3)	Equity-Based Compensation (4)	All Other Compensation (5)	Total
			(US$ in thousands)		
Shimon Alon, *Chairman of the Board and Chief Executive Officer*	336	226(6)	208(7)	172(8)	942
Paul Kelly, *Vice President of Sales EMEA*	198	132	77	106	513
Mel Passarelli, *Vice President North American Operations*	175	195	52	62	484
Itamar Ankorion, *Vice President of Business Development*	160	153	52	56	421
Dror Elkayam, *Chief Financial Officer*	190	41	65	117	413

* Since all or part of the compensation may be denominated in currencies other than the U.S. dollar, fluctuations in dollar amounts may be attributed to exchange rate fluctuations. In particular, for purposes of this table, cash compensation amounts denominated in currencies other than the U.S. dollar were converted into dollars at an exchange rate of NIS 3.57 per $1.00 and of GBP 1.65 per $1.00, which reflect the average applicable conversion rates for 2014.

(1) Unless otherwise indicated herein, all Covered Executives are (i) employed on a full-time (100%) basis; and (ii) subject to customary confidentiality, intellectual property assignment and non-solicitation provisions as well as an undertaking not to compete with us or in our field of business for at least 12 months following termination of employment.

(2) Unless otherwise indicated herein, reflects the annual gross salary.

(3) Amounts reported in this column represent annual bonuses, including sales commissions, granted to the Covered Executives based on formulas set forth in their respective employment agreements. Consistent with our Compensation Policy, such bonuses are based upon (i) for the CEO – see footnote 6 below; (ii) for other non-sales executive officers (in this list –Mr. Harel-Elkayam) - achievement of milestones and targets and the measurable results of the Company, as compared to our budget and/or work plan for the relevant year, with a portion of the bonus (up to 20%) being based on the achievement and performance of pre-determined individual key performance indicators (KPIs) and/or other appropriate criteria, and, in any event, not to exceed the amount of one (100%) annual base salary of such executive; and (iii) for sales executive officers (in this list –Messrs. Kelly, Passarelli and Ankorion) - achievement of targets of revenues generated by the individual and/or his/her team or division and/or the Company, as well as, in appropriate circumstances, other measurable criteria, and in any event, not to exceed the amount of 250% of annual base salary of such executive.

(4) Amounts reported in this column represent the grant date fair value (and the associated accounting expense recognized by the Company) in accordance with accounting guidance for stock-based compensation. For a discussion of the assumptions used in reaching this valuation, see Note 10c to our consolidated financial statements. All of the awards were in the form of stock options, which expire six years after the grant date, and were made pursuant to one of our equity incentive plans.

(5) Amounts reported in this column include benefits and perquisites, including those mandated by applicable law. Such benefits and perquisites 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 ("keren hishtalmut"), pension, severance, vacation, car or car allowance, medical insurances and benefits, risk insurances (e.g., life, or work disability insurance), convalescence or recreation pay, relocation, employers payments for social security, tax gross-up payments and other benefits and perquisites consistent with Attunity's guidelines. Unless otherwise indicated herein, all Covered Executives in Israel are entitled (including by virtue of Israeli labor laws), among other things, to (i) a company car and all related expenses, except related taxes; (ii) Company contributions for the benefit of the Covered Executive to (a) our Managers Insurance Policy in the amount of 15.33% of the Covered Executive gross salary (a portion of which is for severance pay, to which the Covered Executive would be entitled), and (b) our Education Fund in the amount of 7.5% of the Covered Executive's gross salary; (iii) up to 23 days paid vacation per year (iv) 10 days recreation ("Havra'a") payment a year in an amount normally paid by our Company in accordance with applicable law; (v) a notice period of up to three months prior to termination (other than termination for cause), during which they are generally entitled to all compensation and rights under their employment agreements; and (vi) certain benefits in connection with a change of control of the Company, such as accelerated vesting of stock options and/or extended period of up to six months of termination.

(6) Consistent with our Compensation Policy, and as approved by our shareholders in December 2013, for each of the years 2013 and 2014, Mr. Alon was entitled to an annual bonus that will not exceed the NIS equivalent of approximately $201,000 gross (for 100% achievement of performance milestones) or approximately $282,000 (for overachievement of 120% or more). Following a modification to Mr. Alon's employment terms, and as approved by our shareholders in December 2014, for the year 2015, Mr. Alon will be entitled to an annual bonus that will not exceed the NIS equivalent of approximately $217,000 gross (for 100% achievement of performance milestones) or approximately $304,000 (for overachievement of 120% or more). In general, the annual bonus is payable on a quarterly basis, subject to Mr. Alon achieving certain criteria and milestones set by our Compensation Committee and Board of Directors. The milestones and criteria for the annual bonus for the years 2013, 2014 and 2015, consist of several performance metrics (namely, an annual revenue metric and, for 2014 and 2015, also a profitability metric), which are tied to our annual budget for the applicable year and are subject to target thresholds within each metric and ranges of bonus payout.

(7) As approved by our shareholders, Mr. Alon is entitled, on the date of the annual meeting of shareholders for each of 2013, 2014 and 2015, to a grant of options to purchase a number of ordinary shares equal to 0.7% of the total outstanding shares (on a fully diluted basis) of the Company as of November 1st of each year, at an exercise price equal to the average market price of the shares in the 30 trading days prior to the applicable grant date. The fair market value of the proposed grant, as measured on the date of the grant, based on Black-Scholes model, may not exceed the NIS equivalent of approximately $906,000, or the Cap, which is the equivalent of three times Mr. Alon's annual base salary per year of vesting, on a linear basis. (i.e., if the fair market value on the applicable grant date exceeds the Cap per year, the number of options will be reduced so that it does not exceed the Cap). Consistent with the foregoing, on December 26, 2013 and December 30, 2014, we granted Mr. Alon options to purchase 93,338 ordinary shares at an exercise price equal to $8.55 per share and 119,185 ordinary shares at an exercise price equal to $9.87 per share, respectively. One third of the options vest one year after the grant date, with the balance vesting in eight equal quarterly installments. Vesting of the options will accelerate upon certain change of control events, in accordance with Mr. Alon's employment agreement.

(8) In the event of termination of Mr. Alon's employment for any reason (other than (1) termination by the Company for cause, i.e., in circumstances where he would not be entitled to severance pay under Israeli law, or (2) resignation at any time without providing the Company with the required prior notice), Mr. Alon will be entitled to an adjustment period of 12 months following the end of the prior notice period under the agreement (or from the date that he actually ceased to provide services should we choose to waive the prior notice period). During the adjustment period, Mr. Alon will be entitled to all rights to which he is entitled under his employment agreement and he will be entitled to exercise any vested options; however, his options will cease to vest. The employee-employer relationship will not terminate until the end of the adjustment period. Mr. Alon will be entitled to reimbursement of all expenses in connection with his employment.

Compensation of Non-Employee Directors

Our non-employee directors, including outside directors, receive, commencing in 2014, an annual fee of $15,000 and attendance fees of NIS 1,650 per meeting (equivalent to approximately $415 per meeting attended, linked to the Israeli Consumer Price Index ("CPI")).

According to the Compensation Policy, non-employee directors may be granted equity based compensation which shall vest over a period of at least three years, and having a fair market value (determined according to acceptable valuation practices at the time of grant) that will not exceed, with respect to each year of vesting (measured on a linear basis), the equivalent of $80,000 for each. Consistent with the Compensation Policy, each of our non-employee directors who may serve from time to time, including our outside directors, will be granted options, as follows:

- a grant of options under our stock option plans to purchase 20,000 ordinary shares every three years for which such non-employee director holds office, which options vest in three equal installments over three years;
- an exercise price of all options equal to the fair market value of the ordinary shares on the date of the grant (i.e., the closing price of our shares on the date of the annual general meeting of shareholders in which such director is elected or reelected); and
- the portion of outstanding options that is scheduled to vest during the year at which the director's service with us is terminated or expires will be accelerated and become fully vested and exercisable for a period of 180 days thereafter, unless termination was due to the director's resignation or for one of the causes set forth in the Companies Law.

All of the options granted to our directors are made pursuant to one of our equity incentive plans and expire six years after the grant date.

Other than the foregoing fees, reimbursement for expenses and the award of stock options, we do not compensate our directors for serving on our Board of Directors.

Change of Control Arrangements

All of our executive officers as well as certain additional key employees are entitled to (1) accelerated vesting of the ordinary shares subject to outstanding options granted to them in connection with a change in control of the Company and (2) an extended period of six months of termination notice in connection with a termination of employment within one year following a change in control of the Company.

C. BOARD PRACTICES

Introduction

According to the Israeli Companies Law and our articles of association, the management of our business is vested in our Board of Directors. The Board of Directors may exercise all powers and may take all actions that are not specifically granted to our shareholders. As part of its powers, our Board of Directors may cause us to borrow or secure payment of any sum or sums of money for our purposes, at times and upon terms and conditions as it determines, including the grant of security interests in all or any part of our property.

Election of Directors; Board Meetings

Pursuant to our articles of association, all of our directors are elected at annual meetings of our shareholders. Except for our outside directors (as described below), our directors hold office until the next annual meeting of shareholders following the annual meeting at which they were appointed, which is required to be held at least once during every calendar year and not more than fifteen months after the last preceding meeting. Pursuant to applicable NASDAQ rules, director nominees are recommended for the Board of Directors' selection by a majority of our "independent directors" within the meaning of the NASDAQ Listing Rule 5605(a)(2).

Except for our outside directors (as described below), directors may be removed earlier from office by resolution passed at a general meeting of our shareholders and our Board of Directors may temporarily fill vacancies in the Board until the next annual meeting of shareholders.

Our articles of association provide for a Board of Directors of not fewer than two nor more than eleven members. Our Board is currently composed of six directors (including two outside directors).

Under the Israeli Companies Law, our Board of Directors is required to determine the minimum number of directors who must have "accounting and financial expertise" (as such term is defined in regulations promulgated under the Companies Law). Our Board determined that the Board should consist of at least one director who has "accounting and financial expertise." However, our Board has determined that both Mr. Dan Falk and Mr. Gil Weiser have the requisite "accounting and financial expertise."

Meetings of the Board of Directors are generally held at least once each quarter, with additional special meetings scheduled when required.

Outside Directors

The Israeli Companies Law requires Israeli companies with shares that have been offered to the public in or outside of Israel, such as Attunity, to appoint at least two outside directors.

To qualify as an outside director, an individual (or the individual's relative, partner, employer or any entity under the individual's control) may not have, and may not have had at any time during the previous two years, any "affiliation" (i) with the company, the company's controlling shareholder or its relative, or another entity affiliated with the company or its controlling shareholder, or (ii) in a company without a controlling shareholder (or a shareholder that owns more than 25% of its voting power), such as Attunity, with any person who, at the time of appointment, is the chairman, the chief executive officer, the chief financial officer or a 5% shareholder of the company. The term affiliation includes:

- an employment relationship;
- a business or professional relationship;
- control; and
- service as an "office holder", excluding service as a director that was appointed to serve as an outside director of a company that is about to make its initial public offering.

In addition, pursuant to the Companies Law, (1) an outside director must have either "accounting and financial expertise" or "professional qualifications" (as such terms are defined in regulations promulgated under the Companies Law) and (2) at least one of the outside directors must have "accounting and financial expertise." Our outside directors are Mr. Gil Weiser and Ms. Tali Alush-Aben. We have determined that Mr. Weiser has the requisite "accounting and financial expertise" and that Ms. Alush-Aben has the requisite "professional qualifications."

No person may serve as an outside director if the person's position or other activities create, or may create a conflict of interest with the person's responsibilities as an outside director or may otherwise interfere with the person's ability to serve as an outside director. If, at the time an outside director is to be appointed, all current members of the Board of Directors who are not controlling shareholders or their relatives are of the same gender, then the outside director must be of the other gender.

Outside directors are elected by shareholders. The shareholders voting in favor of their election must include at least a majority of the shares of the non-controlling shareholders of the company who voted on the matter. This minority approval requirement need not be met if the total shareholdings of those non-controlling shareholders who vote against their election represent 2% or less of all of the voting rights in the company.

The initial term of an outside director is three years and he or she may be reelected for up to two additional three-year terms. Thereafter, in a company whose shares are listed for trading on, among others, the NASDAQ Capital Market, such as Attunity, he or she may be reelected by our shareholders for additional periods of up to three years each, if our audit committee and the Board of Directors confirm that, in light of the outside 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 the Company. Reelection of an outside director may be effected through one of the following mechanisms: (1) the Board of Directors proposed the reelection of the nominee and the election was approved by the shareholders by the majority required to appoint outside directors for their initial term as described above; or (2) a shareholder holding 1% or more of the voting rights proposed the reelection of the nominee or the external director himself or herself proposed their own reelection, 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.

Outside directors can be removed from office only by the same special percentage of shareholders as can elect them, or by a court, and then only if the outside directors cease to meet the statutory qualifications with respect to their appointment or if they violate their duty of loyalty to the company.

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

Independent Directors

Under the NASDAQ rules, a majority of our Board of Directors must qualify as independent directors within the meaning of NASDAQ Listing Rule 5605(a)(2). Our Board of Directors has determined that all of our directors, except for Mr. Alon, our Chairman of the Board of Directors and Chief Executive Officer, would qualify as "independent directors" within the meaning of such rule.

Committees of the Board of Directors

Subject to the provisions of the Israeli Companies Law, our Board of Directors may delegate its powers to committees consisting of board members. Our Board of Directors currently operates an audit committee and a compensation committee.

Audit Committee

Pursuant to applicable SEC and NASDAQ rules, we are required to have an audit committee of at least three members, each of whom must satisfy the independence requirements of the SEC and NASDAQ. In addition, pursuant to NASDAQ rules, all of the members of the audit committee must be financially literate and at least one member must possess accounting or related financial management expertise. The audit committee must also have a written charter specifying the committee's duties and responsibilities, which include, among other things, the selection and evaluation of our independent auditors.

Under the Companies Law, our Board of Directors is required to appoint an audit committee, which must be comprised of at least three directors, include all of the outside directors, a majority of its members must satisfy the independence standards under the Companies Law, and the chairman is required to be an outside director. The duties of the audit committee under the Companies Law include, among others, examining flaws in the business management of the company and suggesting remedial measures to the Board, assessing the Company's internal audit system and the performance of its internal auditor, and, as more fully described under
Item 10.B. below, approval of certain interested party transactions.

Our audit committee adopted a written charter specifying the committee's duties and responsibilities, which include, among other things, assisting our Board of Directors in overseeing the accounting and financial reporting processes of our Company and audits of our financial statements, including the integrity of our financial statements; compliance with legal and regulatory requirements; our independent public accountants' appointment, qualifications and independence; the performance of our internal audit function and independent public accountants; finding any defects in the business management of our Company for which purpose the audit committee may consult with our independent auditors and internal auditor and proposing to the Board of Directors ways to correct such defects; approving related-party transactions; and such other duties as may be directed by our Board of Directors or required by applicable law. In addition, our audit committee functions as our Qualified Legal Compliance Committee, or the QLCC. In its capacity as the QLCC, the audit committee is also responsible for investigating reports made by attorneys appearing and practicing before the SEC in representing us of perceived material violations of U.S. federal or state securities laws, breaches of fiduciary duty or similar violations by us or any of our agents.

Our audit committee is currently composed of Mr. Weiser, the chairperson of our audit committee, Ms. Alush-Aben and Mr. Falk, all of whom satisfy the respective "independence" requirements of the Companies Law, SEC and NASDAQ rules for audit committee members.

Our audit committee meets at least once each quarter, with additional special meetings scheduled when required.

Compensation Committee

Pursuant to applicable NASDAQ rules, the compensation payable to a company's chief executive officer and other executive officers must generally be approved by a compensation committee comprised solely of independent directors.

Under the Companies Law, our Board of Directors is required to appoint a compensation committee, which must be comprised of at least three directors, include all of the outside directors, its other members must satisfy certain independence standards under the Companies Law, and the chairman is required to be an outside director. Under the Companies Law, the role of the compensation committee is to recommend to the Board of Directors, for ultimate shareholder approval by a special majority, a 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; to approve, as more fully described under "Approval of Related Party Transactions Under Israeli Law" below, the actual compensation terms of office holders prior to approval thereof by the Board of Directors; and to resolve whether to exempt the compensation terms of a candidate for chief executive officer from shareholder approval.

Our compensation committee, established in December 2012, adopted a written charter specifying the committee's duties and responsibilities, which include, among other things, the duties and roles assigned to it pursuant to the Companies Law and applicable NASDAQ rules described above; and oversight and administration of our equity based plans.

Our compensation committee is currently composed of Ms. Alush-Aben, the chairperson of our compensation committee, Mr. Weiser and Mr. Falk, all of whom satisfy the respective "independence" requirements of the Companies Law, SEC and NASDAQ rules for compensation committee members.

Our compensation committee meets at least once each quarter, with additional special meetings scheduled when required.

Internal Audit

Under the Companies Law, our Board of Directors is also required to appoint an internal auditor proposed by the audit committee. The role of the internal auditor is to examine, among other things, whether our activities comply with the law and orderly business procedure. The internal auditor may not be an interested party or office holder, or a relative of any interested party or office holder, and may not be a member of our independent accounting firm. The Companies Law defines the term "interested party" to include a person who holds 5% or more of a company's outstanding share capital or voting rights, a person who has the right to appoint one or more directors or the general manager, or any person who serves as a director or as the general manager. Mr. Eyal Weitzman of EWC Audit Ltd., an Israeli accounting firm, serves as our internal auditor.

Directors' Service Contracts

Our Chief Executive Officer. We entered into an employment agreement with Mr. Alon, our Chief Executive Officer, who is also the Chairman of our Board of Directors. *See Item 6.B "Directors, Senior Management and Employees – Compensation – Individual Compensation of Covered Executives."*

Other. Except as set forth above and in *Item 6.B "Directors, Senior Management and Employees – Compensation,"* there are no arrangements or understandings between us and any of our current directors or executive officers for benefits upon termination of service.

Fiduciary Duties of Office Holders

The Companies Law imposes a duty of care and a duty of loyalty on all office holders of a company.

The duty of care requires an office holder to act with the level of skill with which a reasonable office holder in the same position would have acted under the same circumstances. The duty of care of an office holder includes a duty to use reasonable means to obtain:

- information on the advisability of a given action brought for his approval or performed by him by virtue of his position; and
- all other important information pertaining to these actions.

The duty of loyalty of an office holder requires an office holder to act in good faith and for the benefit of the company, and includes a duty to:

- refrain from any conflict of interest between the performance of his duties in the company and his performance of his other duties or personal affairs;

- refrain from any action that constitutes competition with the company's business;
- refrain from exploiting any business opportunity of the company to receive a personal gain for himself or others; and
- disclose to the company any information or documents relating to the company's affairs which the office holder has received due to his position as an office holder.

Each person listed in the table under Item 6.A "Directors and Senior Management" above is considered an office holder under the Companies Law.

Approval of Related Party Transactions Under Israeli Law

General. Under the Companies Law, a company may approve an action by an office holder from which the office holder would otherwise have to refrain, as described above, if:

- the office holder acts in good faith and the act or its approval does not cause harm to the company; and
- the office holder disclosed the nature of his or her interest in the transaction (including any significant fact or document) to the company at a reasonable time before the company's approval of such matter.

Disclosure of Personal Interests of an Office Holder. The Companies Law requires that an office holder disclose to the company, promptly, and, in any event, not later than the board meeting at which the transaction is first discussed, any direct or indirect personal interest that he or she may have and all related material information known to him or her relating to any existing or proposed transaction by the company. If the transaction is an extraordinary transaction, the office holder must also disclose any personal interest held by:

- the office holder's relatives. Relatives are defined to include the spouse, siblings, parents, grandparents, descendants, spouse's descendants and the spouses of any of these people; or
- any corporation in which the office holder or his or her relatives holds 5% or more of the shares or voting rights, serves as a director or general manager or has the right to appoint at least one director or the general manager.

Under the Companies Law, an extraordinary transaction is a transaction:

- not in the ordinary course of business;
- not on market terms; or
- that is likely to have a material impact on the company's profitability, assets or liabilities.

The Companies Law does not specify to whom within the company nor the manner in which required disclosures are to be made. We require our office holders to make such disclosures to our Board of Directors.

Under the Companies Law, once an office holder complies with the above disclosure requirement, the Board of Directors may approve a transaction between the company and an office holder, or a third party in which an office holder has a personal interest, unless the articles of association provide otherwise and provided that the transaction is not detrimental to the company's interest. If the transaction is an extraordinary transaction, first the audit committee and then the board of directors, in that order, must approve the transaction. Under specific circumstances, shareholder approval may also be required. A director who has a personal interest in an extraordinary transaction, which is considered at a meeting of the board of directors or the audit committee, may not be present at this meeting or vote on this matter, unless a majority of the Board of Directors or the audit committee, as the case may be, has a personal interest. If a majority of the Board of Directors has a personal interest, then shareholder approval is generally also required.

Approval of Office Holder Compensation. Pursuant to a recent amendment to the Companies Law, every Israeli public company, such as Attunity, 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. 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 December 2013, our shareholders approved the 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, must be approved separately by the compensation committee, the Board of Directors and the shareholders of the company (by the same majority noted above), in that order. The compensation terms of other officers require the approval of the compensation committee and the board of directors.

Exculpation, Indemnification and Insurance of Directors and Officers

Exculpation of Office Holders. Under the Companies Law, an Israeli company may not exempt an office holder from his or her liability for a breach of the duty of loyalty to the company, but may exempt an office holder, in advance, from his or her liability, in whole or in part, for a breach of his or her duty of care to the company (except with regard to distributions), if the articles of association so provide. Our articles of association permit us to exempt our office holders to the fullest extent permitted by law.

Office Holders' Insurance. As permitted by the Companies Law, our articles of association provide that, subject to the provisions of the Companies Law, we may enter into a contract for the insurance of the liability of any of our office holders concerning an act performed by him or her in his or her capacity as an office holder for:

- a breach of his or her duty of care to us or to another person;
- a breach of his or her duty of loyalty to us, provided that the office holder acted in good faith and had reasonable cause to assume that his or her act would not prejudice our interests;
- a financial liability imposed upon him or her in favor of another person;
- expenses he or she incurs as a result of administrative proceedings that may be instituted against him or her under Israeli securities laws, if applicable, and payments made to injured persons under specific circumstances thereunder; and
- any other matter in respect of which it is permitted or will be permitted under applicable law to insure the liability of an office holder in the Company.

Indemnification of Office Holders. As permitted by the Companies Law, our articles of association provide that we may indemnify any of our office holders for an act performed in his or her capacity as an office holder, retroactively (after the liability has been incurred) or in advance against the following:

- a financial liability incurred by, or imposed on, him or her in favor of another person by any judgment, including a settlement or an arbitration award approved by a court; provided that our undertaking to indemnify with respect to such events on a prospective basis is limited to events that our Board of Directors believes are foreseeable in light of our actual operations at the time of providing the undertaking and to a sum or standard that our Board of Directors determines to be reasonable under the circumstances, and further provided that such events and amount or criteria are set forth in the undertaking to indemnify;

- reasonable litigation expenses, including attorney's fees, incurred by the office holder as a result of an investigation or proceeding instituted against him by a competent authority, provided that such investigation or proceeding concluded without the filing of an indictment against him and either (A) concluded without the imposition of any financial liability in lieu of criminal proceedings or (B) concluded with the imposition of a financial liability in lieu of criminal proceedings with respect to a criminal offense that does not require proof of criminal intent or in connection with a financial sanction;

- reasonable litigation expenses, including attorneys' fees, incurred by the office holder or charged to him or her by a court, resulting from the following: proceedings we institute against him or her or instituted on our behalf or by another person; a criminal indictment from which he or she was acquitted; or a criminal indictment in which he or she was convicted for a criminal offense that does not require proof of intent;

- expenses he or she incurs as a result of administrative proceedings that may be instituted against him or her under Israeli securities laws, if applicable, and payments made to injured persons under specific circumstances thereunder; and

- any other matter in respect of which it is permitted or will be permitted under applicable law to indemnify an office holder in the Company.

Limitations on Exculpation, Insurance and Indemnification. The Companies Law provides that a company may not indemnify an office holder nor exculpate an office holder nor enter into an insurance contract which would provide coverage for any monetary liability incurred as a result of any of the following:

- a breach by the office holder of his or her duty of loyalty, unless with respect to indemnification and insurance, the office holder acted in good faith and had a reasonable basis to believe that the act would not prejudice the company;

- a breach by the office holder of his or her duty of care if the breach was committed intentionally or recklessly, unless it was committed only negligently;

- any act or omission committed with the intent to derive an illegal personal benefit; or

- any fine levied against the office holder.

In addition, under the Companies Law, exculpation of, an undertaking to indemnify or indemnification of, and procurement of insurance coverage for, our office holders must be approved by our audit committee and our Board of Directors and, in specified circumstances, such as if the office holder is a director**,** by our shareholders.

We have undertaken to indemnify our office holders to the fullest extent permitted by law, including exculpation from the duty of care, by providing them with a Letter of Indemnification, the form of which was approved by our shareholders. We also currently maintain directors and officers liability insurance with an aggregate coverage limit of $15 million, with a Side A coverage of an additional $5 million.

D. EMPLOYEES

The following table details certain data on the workforce of Attunity and its consolidated subsidiaries for the periods indicated:

	As of December 31,		
	2014	**2013**	**2012**
Numbers of employees by geographic location			
United States	67	53	26
Israel	75	70	76
Europe	15	8	6
Other	5	5	6
Total workforce	**162**	**136**	**114**
Numbers of employees by category of activity			
Research and development	63	58	59
Sales and marketing	70	54	33
Product and customer support (including professional services)	19	14	11
Management and administrative	10	10	11
Total workforce	**162**	**136**	**114**

The overall increase in our workforce, from 136 employees in 2013 to 162 employees in 2014, was primarily due to the expansion of our sales and marketing personnel and of our professional services team as part of our strategy to increase our global footprint. The overall increase in our workforce, from 114 employees in 2012 to 136 employees in 2013, was primarily due to the expansion of our sales and marketing personnel as part of our strategy to increase our global footprint and the acquisition of Hayes in December 2013.

We consider our relations with our employees to be good and we have never experienced a strike or work stoppage.

Our employees are not represented by labor unions. Nevertheless, with respect to our employees in Israel, who constitute a majority of our workforce, certain provisions of the collective bargaining agreements between the 'Histadrut' (General Federation of Labor in Israel) and the Coordination Bureau of Economic Organizations (including the Industrialists' Association) may be applicable to our employees by virtue of an order of the Israeli Ministry of Labor. These provisions concern mainly the length of the workday, minimum daily wages, insurance for work-related accidents, determination of severance pay and other conditions of employment. We generally provide our employees with benefits and working conditions beyond the required minimums.

Pursuant to Israeli law, we are legally required to pay severance benefits upon certain circumstances, including the retirement or death of an employee or the termination of employment of an employee without due cause. Israeli employers and employees are required to pay predetermined amounts to the National Insurance Institute, which is substantially similar to the United States Social Security Administration. In 2014, payments to the National Insurance Institute amounted to approximately 10.18% of wages, of which approximately two thirds was contributed by employees with the balance contributed by the employer.

E. SHARE OWNERSHIP

Beneficial Ownership of Executive Officers and Directors

See the table in *Item 7.A "Major Shareholders and Related Party Transactions – Major Shareholders"* below, which is incorporated herein by reference.

Equity Incentive Plans

Our Option Plans

In 2001, we adopted our 2001 Employee Stock Option Plan, or the 2001 Plan, under which stock options could be granted to employees, officers, directors and consultants of our Company and our subsidiaries. The 2001 Plan does not have a specific expiration date, although we no longer grant awards under this plan in light of the adoption of the 2012 Plan.

In 2003, we adopted the 2003 Israeli Stock Option Plan, or the 2003 Plan, under which stock options may be granted to employees employed by us or by our affiliates, to permit our Israeli employees to benefit from tax advantages that became available at that time under Section 102 of the Israeli Tax Ordinance. The 2003 Plan had a term of ten years and expired in December 2013.

In 2012, we adopted the 2012 Stock Incentive Plan, or the 2012 Plan, under which stock options as well as other equity-based awards, including restricted stock units and performance units, may be granted to employees, officers, directors and consultants of our Company and our subsidiaries. The 2012 Plan has a term of ten years and will terminate in December 2022.

All of these equity incentive plans, to which we refer as the Option Plans, are administered by our compensation committee. Subject to the Option Plans and applicable law, our compensation committee has the authority to make all determinations deemed necessary or advisable for the administration of such plans, including to whom equity awards may be granted, the time and the extent to which these awards may be exercised, the exercise or purchase price of shares covered by each option or other award, the type of awards and how to interpret such plans. Among others, the compensation committee has the authority to provide for, or, where applicable, recommend for approval by the Board of Directors, accelerated vesting of the ordinary shares subject to outstanding options. *See also Item 6.B – "Change of Control Arrangements."*

The number of shares reserved for issuance under all of the Option Plans is currently 3,300,625 ordinary shares. Any options or similar awards which are canceled or forfeited before expiration become available for future grants. As of April 1, 2015, 36,595 ordinary shares remain available for grant of awards under the Option Plans.

Grants in 2014

In 2014, we granted options exercisable into 810,185 ordinary shares under the Option Plans (compared to options exercisable into 366,088 ordinary shares that we granted in 2013).

Total Outstanding Options

The following table sets forth, as of December 31, 2014, the number of options outstanding under our Option Plans and their respective exercise prices and expiration dates:

Number of Outstanding Options	Range of exercise price	Weighted average remaining contractual life (in years)
237,174	$0.48 - $1.52	0.85
556,404	$2.00 - $3.44	2.69
204,417	$5.68 - $7.81	5.34
378,148	$8.04 - $9.87	5.30
512,625	$10.03 - $11.32	5.28
Total: 1,888,768 (*)		3.97

(*) Includes 897,199 options that are vested and exercisable as of December 31, 2014.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. MAJOR SHAREHOLDERS

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information, to our knowledge, as of April 1, 2015 regarding the beneficial ownership by (i) all shareholders who own beneficially more than 5% of our ordinary shares and (ii) by each of our directors and executive officers:

	Number of Ordinary Shares Beneficially Owned (1)	Percentage of Outstanding Ordinary Shares (2)
Shimon Alon	1,518,594(3)	9.37%
Diker Management, LLC	1,142,095(4)	7.12%
Ron Zuckerman	820,894(5)(6)	5.11%
Directors and Officers as a group (consisting of 9 persons)*	2,840,888(7)	17.28%

* Except for Messrs. Alon and Zuckerman, all of our directors and executive officers beneficially own less than 1% of our outstanding shares.

(1) Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Ordinary shares relating to options currently exercisable or exercisable within 60 days of the date of this table are deemed outstanding for computing the percentage of the person holding such securities but are not deemed outstanding for computing the percentage of any other person. Except as indicated by footnote, and subject to community property laws where applicable, the persons named in the table above have sole voting and investment power with respect to all shares shown as beneficially owned by them.

(2) The percentages shown are based on 16,029,788 shares issued and outstanding as of April 1, 2015. This figure of outstanding ordinary shares outstanding does not include:

- employee stock options to purchase an aggregate of 1,875,608 ordinary shares at a weighted average exercise price of approximately $6.92 per share, with the latest expiration date of these options being January 21, 2021 (of which, options to purchase 976,354 of our ordinary shares were exercisable as of April 1, 2015); and
- outstanding warrants to purchase an aggregate of 19,701 ordinary shares at an exercise price of $0.48 per share, which expire on various dates until July 29, 2015.

(3) Mr. Alon is the Chairman of our Board and our Chief Executive Officer. Includes (i) 1,339,709 ordinary shares; and (ii) 178,885 ordinary shares issuable upon exercise of stock options at exercise prices ranging from $1.00 to $8.76 per ordinary share. These options expire between December 22, 2015 and December 26, 2019. The business address of Mr. Alon is c/o Attunity Ltd., 16 Atir Yeda Street, Atir Yeda Industrial Park, Kfar Saba, 4464321, Israel.

(4) This information is based solely on information provided in the Schedule 13G filed with the SEC on February 17, 2015 by Diker GP, LLC, a Delaware limited liability company, as the general partner to several Delaware limited partnerships indicated therein, or, collectively, the Diker Funds; Diker Management, LLC, a Delaware limited liability company, or Diker Management, as the investment manager of the Diker Funds; and Charles M. Diker and Mark N. Diker, both citizens of the United States who are the managing members of each of Diker GP and Diker Management. As affiliates of a registered investment adviser, each of Diker GP and the other reporting persons disclaimed all beneficial ownership of the ordinary shares, and in any case, disclaimed beneficial ownership of these shares except to the extent of the reporting person's pecuniary interest in these shares. The business address of Diker GP and the other reporting person is 730 Fifth Avenue, 15th Floor, New York, NY 10019.

(5) Mr. Zuckerman is a member of our Board. Includes (i) 798,394 ordinary shares; and (ii) 22,500 ordinary shares issuable upon exercise of stock options at exercise prices ranging from $2.84 to $8.76 per ordinary share. These options expire between December 22, 2015 and December 22, 2017. Excludes the Bonale Shares (see footnote 5 below). The business address of Mr. Zuckerman is c/o Attunity Ltd., 16 Atir Yeda Street, Atir Yeda Industrial Park, Kfar Saba, 4464321, Israel.

(6) Based on an Amendment No. 9 to a Schedule 13D filed by Mr. Zuckerman with the SEC on March 13, 2012, or the Schedule 13D, Bonale Foundation, a trust for the benefit of persons related to Mr. Zuckerman, beneficially owns 420,725 ordinary shares, which represent approximately 2.62% of our outstanding ordinary shares, or the Bonale Shares. According to the Schedule 13D, Mr. Zuckerman does not direct the management of Bonale Foundation, its investment or voting decisions and disclaims beneficial ownership of the Bonale Shares.

(7) Includes (i) 2,427,254 ordinary shares; and (ii) 413,634 ordinary shares issuable upon exercise of stock options at an exercise price ranging from $1.00 to $11.32 per ordinary share. These options expire between December 22, 2015 and March 19, 2020.

To the best of our knowledge, the Company is not directly or indirectly owned or controlled by another corporation, by any foreign government or by any other natural or legal person severally or jointly, except as disclosed in the above table regarding our major shareholders.

Significant Changes in the Ownership of Major Shareholders

During the past three years, the significant changes in the percentage ownership of our major shareholders were as follows:

- On February 17, 2015, Diker GP and related persons filed a Schedule 13G with the SEC, whereby they reported that they are the beneficial owners of 1,142,095 ordinary shares, or 7.12% of our outstanding ordinary shares as of April 1, 2015.

- The following table sets forth the beneficial ownership of our ordinary shares by Mr. Alon and Mr. Zuckerman as of January 1, 2012 and April 1, 2015:

	Beneficial Ownership (January 1, 2012)*		**Beneficial Ownership (April 1, 2015)****	
	Number of Ordinary Shares Beneficially Owned	Percentage	Number of Ordinary Shares Beneficially Owned	Percentage
Shimon Alon	1,516,914(1)	14.33%	1,518,594(2)	9.37%
Ron Zuckerman	803,395(3)	7.90%	820,894(4)	5.11%

* For details regarding the manner in which we calculate beneficial ownership, see footnote 1 to the table under Item 7A above. The percentages shown are based on 9,987,777 shares issued and outstanding as of January 1, 2012.

** For details regarding the manner in which we calculate beneficial ownership, see footnote 1 to the table under Item 7A above. The percentages shown are based on 16,029,788 shares issued and outstanding as of April 1, 2015.

(1) Includes (i) 919,312 ordinary shares; (ii) 27,600 ordinary shares issuable upon exercise of warrants issued in September 2006, exercisable at an exercise price of $0.48 per ordinary share; (iii) 250,298 ordinary shares issuable upon exercise of warrants issued in May 2009, exercisable at an exercise price of $0.48 per ordinary share; (iv) 19,704 ordinary shares issuable upon exercise of warrants (issued in connection with our 2009 rights offering) at an exercise price of $0.48 per ordinary share; and (v) 400,000 ordinary shares issuable upon exercise of stock options at exercise prices ranging from $1.00 to $9.68 per ordinary share. These options expire between December 28, 2012 and December 30, 2016.

(2) See footnote 3 to the table under Item 7A above.

(3) Includes (i) 626,925 ordinary shares; (ii) 27,600 ordinary shares issuable upon exercise of warrants issued in September 2006, exercisable at an exercise price of $0.48 per ordinary share; (iii) 104,166 ordinary shares issuable upon exercise of warrants issued in May 2009, exercisable at an exercise price of $0.48 per ordinary share; (iv) 19,704 ordinary shares issuable upon exercise of warrants (issued in connection with our 2009 rights offering) at an exercise price of $0.48 per ordinary share; and (v) 25,000 ordinary shares issuable upon exercise of stock options at exercise prices ranging from $0.32 to $9.68 per ordinary share. These options expire between December 28, 2012 and December 22, 2015.

(4) See footnote 4 to the table under Item 7A above.

Major Shareholders Voting Rights

Our major shareholders do not have different voting rights.

Record Holders

Based on a review of the information provided to us by our transfer agent, as of April 1, 2015, there were 43 holders of record of our ordinary shares, of which 23 record holders, holding approximately 90.8% of our ordinary shares, had registered addresses in the United States. These numbers are not representative of the number of beneficial holders of our shares nor is it representative of where such beneficial holders reside since many of these ordinary shares were held of record by brokers or other nominees (including one U.S. nominee company, CEDE & Co., which held approximately 82% of our outstanding ordinary shares as of said date).

B. RELATED PARTY TRANSACTIONS

See Item 6.B "Directors, Senior Management and Employees - Compensation" with respect to compensation payable to our senior management and directors.

ITEM 8. FINANCIAL INFORMATION

A. CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

Financial Statements

See the consolidated financial statements, including the notes thereto, included in *Item 18 "Financial Statements"* of this annual report.

Export Sales

In the year ended December 31, 2014, the amount of our export sales (i.e., sales outside Israel) was approximately $34.8 million, which represents 98% of our total sales.

Legal Proceedings

We are currently not, and have not been in the recent past, a party to any legal proceedings which may have or have had in the recent past significant effects on our financial position or profitability. However, we are, or may be, from time to time named as a defendant in certain routine litigation incidental to our business.

Dividend Distribution Policy

We have never paid and do not intend to pay cash dividends on our ordinary shares in the foreseeable future. Our earnings and other cash resources will be used to continue the development and expansion of our business. Any future dividend policy will be determined by our Board of Directors and will be based upon conditions then existing, including our results of operations, financial condition, current and anticipated cash needs, contractual restrictions and other conditions.

According to the Israeli Companies Law, a company may distribute dividends only out of its "profits," as such term is defined in the Israeli Companies Law, as of the end of the most recent fiscal year or as accrued over a period of two years, whichever is higher. Our Board of Directors is authorized to declare dividends, provided that there is no reasonable concern that payment of the dividend will prevent us from satisfying our existing and foreseeable obligations as they become due. Notwithstanding the foregoing, dividends may be paid with the approval of a court, provided that there is no reasonable concern that payment of the dividend will prevent us from satisfying our existing and foreseeable obligations as they become due. Profits, for purposes of the Israeli Companies Law, means the greater of retained earnings or earnings accumulated during the preceding two years, after deduction of previous distributions that were not already deducted from the surpluses, as evidenced by financial statements prepared no more than six months prior to the date of distribution.

B. SIGNIFICANT CHANGES

Except as otherwise disclosed in this annual report, no significant change has occurred since December 31, 2014.

ITEM 9. THE OFFER AND LISTING

A. OFFER AND LISTING DETAILS

Annual Share Price Information

The following table sets forth, for each of the years indicated, the range of high ask and low bid prices and high and low sale prices, as applicable, of our ordinary shares on the Over-The-Counter Bulletin Board, or OTCBB, through July 25, 2012, and, starting July 26, 2012, on the NASDAQ Capital Market:

Year	High	Low
2010	$ 3.24	$ 0.88
2011	$ 3.56	$ 1.56
2012	$ 9.75	$ 2.36
2013	$ 11.22	$ 4.42
2014	$ 12.00	$ 5.83

Quarterly Share Price Information

The following table sets forth, for each of the full financial quarters in the years indicated, the range of high ask and low bid prices and high and low sale prices, as applicable, of our ordinary shares on the NASDAQ Capital Market:

	High	Low
2013		
First Quarter	$ 8.25	$ 6.65
Second Quarter	$ 6.89	$ 4.42
Third Quarter	$ 9.00	$ 5.24
Fourth Quarter	$ 11.22	$ 7.25
2014		
First Quarter	$ 12.00	$ 9.00
Second Quarter	$ 11.35	$ 7.59
Third Quarter	$ 8.25	$ 5.83
Fourth Quarter	$ 11.21	$ 6.54
2015		
First Quarter	$ 10.94	$ 8.75

Monthly Share Price Information

The following table sets forth, for each of the most recent last six months, the range of high and low sale prices, as applicable, of our ordinary shares on the NASDAQ Capital Market:

Month	High	Low
October 2014	$ 9.14	$ 6.54
November 2014	$ 9.84	$ 8.65
December 2014	$ 11.21	$ 9.26
January 2015	$ 10.94	$ 8.75
February 2015	$ 10.00	$ 9.11
March 2015	$ 10.92	$ 9.12
April 2015 (through April 13, 2015)	$ 10.35	$ 9.22

On April 13, 2015, the last reported sale price of our ordinary shares on the NASDAQ Capital Market was $10.14 per share.

B. PLAN OF DISTRIBUTION

Not applicable.

C. MARKETS

Our ordinary shares were traded on the NASDAQ Global Market from our initial public offering on December 17, 1992 through August 15, 2007 and on the NASDAQ Capital Market from August 16, 2007 through February 22, 2008. From February 26, 2008 through July 25, 2012, our ordinary shares were quoted on the OTCBB. Effective July 26, 2012, our ordinary shares were relisted on the NASDAQ Capital Market under the symbol "ATTU."

D. SELLING SHAREHOLDERS

Not applicable.

E. DILUTION

Not applicable.

F. EXPENSE OF THE ISSUE

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. SHARE CAPITAL

Not applicable.

B. MEMORANDUM AND ARTICLES OF ASSOCIATION

Set out below is a description of certain provisions of our memorandum of association and articles of association and of the Israeli Companies Law (as currently in effect) related to such provisions, unless otherwise specified. This description is only a summary and does not purport to be complete and is qualified by reference to the full text of the memorandum and articles, which are incorporated by reference as exhibits to this annual report, and to Israeli law.

Purposes and Objects of the Company

We are a public company registered under the Israeli Companies Law as Attunity Ltd, registration number 52-003801-9. Pursuant to our memorandum and articles of association, our objectives are to carry on any lawful activity.

The Powers of the Directors

Under the provisions of the Israeli Companies Law and our articles of association, a director generally cannot participate in a meeting nor vote on a proposal, arrangement or contract in which he or she is personally interested. In addition, our directors generally cannot vote compensation to themselves or any members of their body without the approval of our compensation committee and our shareholders at a general meeting. See *Item 6.C "Directors, Senior Management and Employees – Board Practices – Approval of Related Party Transactions Under Israeli Law."*

The authority of our directors to enter into borrowing arrangements on our behalf is not limited, except in the same manner as any other transaction by us.

Under our articles of association, retirement of directors from office is not subject to any age limitation and our directors are not required to own shares in our Company in order to qualify to serve as directors.

Rights Attached to Shares

Our authorized share capital consists of 32,500,000 ordinary shares of a nominal value of NIS 0.4 each. The shares do not entitle their holders to preemptive rights.

Dividend rights. Subject to any preferential, deferred, qualified or other rights, privileges or conditions attached to any special class of shares with regard to dividends, the profits of the Company available for dividend and resolved to be distributed shall be applied in payment of dividends upon the shares of the Company in proportion to the amount paid up or credited as paid-up per the nominal value thereon respectively. Unless otherwise specified in the conditions of issuance of the shares, all dividends with respect to shares which were not fully paid up within a certain period, for which dividends were paid, shall be paid proportionally to the amounts paid or credited as paid on the nominal value of the shares during any portion of the abovementioned period. Our Board of Directors may declare interim dividends and propose the final dividend with respect to any fiscal year only out of profits legally available for distribution, in accordance with the provisions of the Israeli Companies Law. In this respect, see *Item 8.A "Financial Information – Consolidated and Other Financial Information – Dividend Distribution Policy."* If after one year a dividend has been declared and it is still unclaimed, our Board of Directors is entitled to invest or utilize the unclaimed amount of dividend in any manner to our benefit until it is claimed. We are not obligated to pay interest on an unclaimed dividend.

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

Rights to share in profits. Our shareholders have the right to share in our profits distributed as a dividend and any other permitted distribution. See this *Item 10.B "Additional Information – Memorandum and Articles of Association – Rights Attached to Shares – Dividend Rights."*

Rights to share in surplus in the event of liquidation. In the event of our liquidation, after satisfaction of liabilities to creditors, our assets will be distributed to the holders of ordinary shares in proportion to the nominal value of their holdings. This right may be affected by the grant of preferential dividend or distribution rights to the holders of a class of shares with preferential rights that may be authorized in the future.

Liability to capital calls by the Company. Under our memorandum and articles of association as well as the Israeli Companies Law, the liability of our shareholders is limited to the unpaid amount of the par value of the shares held by them.

Limitations on any existing or prospective major shareholder. See *Item 6.C "Directors, Senior Management and Employees – Board Practices – Approval of Related Party Transactions Under Israeli Law."*

Changing Rights Attached to Shares

The rights attached to any class of shares (unless otherwise provided by the terms of issuance of the shares of that class) may be varied with the consent in writing of the holders of all the issued shares of that class, or with the sanction of a vote at a meeting of the shareholders passed at a separate meeting of the holders of the shares of the class by a majority of the voting rights of such class represented at the meeting in person or by proxy and voting thereon.

Under our articles of association, unless otherwise provided by the conditions of issuance, the enlargement of an existing class of shares, or the issuance of additional shares thereof, shall not be deemed to modify or abrogate the rights attached to the previously issued shares of such class or of any other class.

Shareholders Meetings

The Board of Directors must convene an annual meeting of shareholders at least once every calendar year, within fifteen months of the last annual meeting. A special meeting of shareholders may be convened by the Board of Directors, as it decides.

The Companies Law generally allows shareholders (1) who hold at least 1% of the outstanding shares of a public company to submit a proposal for inclusion on the agenda of a general meeting of the company's shareholders and (2) who hold at least 5% of the outstanding ordinary shares of a public company to convene a special meeting of shareholders upon request in accordance with the Companies Law. Our articles of association contain procedural guidelines and disclosure items with respect to the submission of shareholder proposals for shareholders meetings.

In accordance with our articles of association, unless a longer period for notice is prescribed by the Israeli Companies Law, at least ten (10) days and not more than sixty (60) days' notice of any general meeting of shareholders shall be given. Under the Companies Law, shareholder meetings generally require prior notice of not less than 21 days or, with respect to certain matters, such as election of directors and affiliated party transactions, not less than 35 days.

The quorum required at any meeting of shareholders consists of at least two shareholders present in person or represented by proxy who hold or represent, in the aggregate, at least 25% of the total voting rights in the Company. 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 directors designate in a notice to the shareholders. If, at such adjourned meeting, a quorum is not present within half an hour from the time appointed for holding the meeting, any two shareholders present in person or by proxy shall constitute a quorum, except with respect to adjourned shareholder meetings convened for shareholder proposals.

Under our articles of association, all resolutions require approval of no less than a majority of the voting rights represented at the meeting in person or by proxy and voting thereon, except that certain provisions of our articles of association relating to shareholder proposals and election and removal of directors would require a special majority of two thirds (66.66%) or more of the voting power represented at the meeting in person or by proxy and voting thereon.

Pursuant to our articles of association, our directors (except outside directors) are elected at our annual general meeting of shareholders by a vote of the holders of a majority of the voting power represented and voting at such meeting. See *Item 6.C "Directors, Senior Management and Employees – Board Practices – Election of Directors; Board Meetings."*

Limitations on the Rights to Own Securities in Our Company

Neither our memorandum of association or our articles of association nor the laws of the State of Israel restrict in any way the ownership or voting of shares by non-residents, except with respect to subjects of countries which are in a state of war with Israel.

Duties of Shareholders

Disclosure by Controlling Shareholders. Under the Companies Law, the disclosure requirements that apply to an office holder also apply to a controlling shareholder of a public company. A controlling shareholder is a shareholder who has the ability to direct the activities of a company, including a shareholder that owns 25% or more of the voting rights if no other shareholder owns more than 50% of the voting rights, but excluding a shareholder whose power derives solely from his or her position on the Board of Directors or any other position with the company.

Approval of Certain Transactions. Extraordinary transactions with a controlling shareholder or in which a controlling shareholder has a personal interest, and the engagement of a controlling shareholder as an office holder or employee (including compensation therefor), generally require the approval of the audit committee (or compensation committee with respect to engagement as an office holder or employee), the Board of Directors and the shareholders, in that order. The shareholder approval must include at least a majority of the shares of non-interested shareholders voted on the matter. However, the transaction can be approved by shareholders without this special approval if the total shares of non-interested shareholders that voted against the transaction do not represent more than 2% of the voting rights in the company. In addition, any such extraordinary transaction whose term is longer than three years may require further shareholder approval every three years, unless, where permissible under the Companies Law, the audit committee approves that a longer term is reasonable under the circumstances. With respect to approval of compensation to directors and executive officers, see also *Item 6.C "Directors, Senior Management and Employees – Board Practices – Approval of Related Party Transactions Under Israeli Law."*

General Duties of Shareholders. In addition, under the Companies Law, each shareholder has a duty to act in good faith toward the company and other shareholders and to refrain from abusing his or her power in the company, such as in shareholder votes. In addition, specified shareholders have a duty of fairness toward the company. These shareholders include any controlling shareholder, any shareholder who knows that it possesses the power to determine the outcome of a shareholder vote and any shareholder who, pursuant to the provisions of the articles of association, has the power to appoint or prevent the appointment of an office holder or any other power with respect to the company. However, the Companies Law does not define the substance of this duty of fairness.

Provisions Restricting Change in Control of Our Company

Except for (1) establishing advance notice and procedural guidelines and disclosure items with respect to the submission of shareholder proposals for shareholders meetings, and (2) requiring a special majority voting in order to amend certain provisions of our articles of association relating to shareholder proposals and election and removal of directors, there are no specific provisions of our memorandum or articles of association that would have an effect of delaying, deferring or preventing a change in control of Attunity or that would operate only with respect to a merger, acquisition or corporate restructuring involving us (or any of our subsidiaries). However, as described below, certain provisions of the Companies Law may have such effect.

The Companies Law includes provisions that allow a merger transaction and requires that each company that is a party to the merger have the transaction approved by its Board of Directors and a vote of the majority of its shares. For purposes of the shareholder vote of each party, unless a court rules otherwise, the merger will not be deemed approved if shares representing a majority of the voting power present at the shareholders meeting and which are not held by the other party to the merger (or by any person who holds 25% or more of the voting power or the right to appoint 25% or more of the directors of the other party) vote against the merger. Upon the request of a creditor of either party to the proposed merger, the court may delay or prevent the merger if it concludes that there exists a reasonable concern that as a result of the merger the surviving company will be unable to satisfy the obligations of any of the parties to the merger. In addition, a merger may not be completed unless at least (1) 50 days have passed from the time that the requisite proposals for approval of the merger were filed with the Israeli Registrar of Companies by each merging company and (2) 30 days have passed since the merger was approved by the shareholders of each merging company.

The Companies Law also provides that an acquisition of shares in a public company must be made by means of a "special" tender offer if as a result of the acquisition (1) the purchaser would become a 25% or greater shareholder of the company, unless there is already another 25% or greater shareholder of the company or (2) the purchaser would become a 45% or greater shareholder of the company, unless there is already a 45% or greater shareholder of the company. These requirements do not apply if, in general, the acquisition (1) was made in a private placement that received shareholder approval, (2) was from a 25% or greater shareholder of the company which resulted in the acquirer becoming a 25% or greater shareholder of the company, or (3) was from a 45% or greater shareholder of the company which resulted in the acquirer becoming a 45% or greater shareholder of the company. A "special" 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. In general, the tender offer may be consummated only if (1) at least 5% of the company's outstanding shares will be acquired by the offeror and (2) the number of shares tendered in the offer exceeds the number of shares whose holders objected to the offer.

If, as a result of an acquisition of shares, the acquirer will hold more than 90% of a company's outstanding shares, the acquisition must be made by means of a tender offer for all of the outstanding shares. In general, if less than 5% of the outstanding shares are not tendered in the tender offer and more than half of the offerees who have no personal interest in the offer tendered their shares, all the shares that the acquirer offered to purchase will be transferred to it. Shareholders may request appraisal rights in connection with a full tender offer for a period of six months following the consummation of the tender offer, but the acquirer is entitled to stipulate that tendering shareholders will forfeit such appraisal rights.

Lastly, Israeli tax law treats some acquisitions, such as stock-for-stock exchanges between an Israeli company and a foreign company, less favorably than U.S. tax laws. For example, Israeli tax law may, under certain circumstances, subject a shareholder who exchanges his ordinary shares for shares in another corporation to taxation prior to the sale of the shares received in such stock-for-stock swap.

Disclosure of Shareholders Ownership

The Israeli Securities Law and regulations promulgated thereunder do not require a company whose shares are publicly traded solely on a stock exchange outside of Israel, as in the case of our Company, to disclose its share ownership.

Changes in Our Capital

Changes in our capital, such as increase of authorized share capital or creation of another class of shares, are subject to the approval of the shareholders by the holders of at least 75% of the votes of shareholders present by person or by proxy and voting in the shareholders meeting.

C. MATERIAL CONTRACTS

Acquisition of Appfluent

On March 5, 2015, we and Attunity Inc., a Massachusetts corporation and our wholly owned subsidiary, or Buyer, entered into an Agreement and Plan of Merger, or the Merger Agreement, with Appfluent; Atlas Acquisition Sub 1, LLC, or Merger Sub 1, and Atlas Acquisition Sub 2, LLC, or Merger Sub 2, to which we refer, together with Merger Sub 1, as Merger Subs, both of which are Delaware limited liability companies wholly owned by Buyer; and one of Appfluent shareholders, as the Stockholders' Representative.

Pursuant to the Merger Agreement, we have acquired all of the outstanding shares of Appfluent by way of a merger, with Merger Sub 2 continuing as the surviving entity and an indirect wholly owned subsidiary of us. Under the Merger Agreement, the total consideration is composed of:

- $10.95 million (subject to working capital adjustments) payable in cash at the closing of the Merger Agreement, or the Closing, of which $1.1 million will be held in escrow for one year following the Closing, or the Escrow Amount;
- $5.65 million which are payable in ordinary shares of the Company, reflecting a $9.71 price per share, or the PPS, such that the Company has issued, at the Closing, approximately 582,000 ordinary shares of the Company, or the Closing Shares, representing approximately 3.6% of our then outstanding shares (on a post-issuance basis), or 3.8% on a pre-issuance basis;
- $1.4 million which will be payable in ordinary shares of the Company based on the PPS, such that the Company will issue, 18 months following the Closing, approximately 144,000 ordinary shares of the Company, or, subject to adjustments, the Holdback Shares, representing approximately 0.9% of our then outstanding shares (on both a pre-issuance and post-issuance basis); and
- milestone-based contingent payments, as follows (subject to downward adjustments):
    - For 2015 - if the revenues we recognize from sales of Appfluent products in the period between the Closing and December 31, 2015, or the 2015 Revenues, are at least $7.8 million, or the 2015 Target, we will be required to pay additional consideration equal to three (3) times the excess of the 2015 Revenues over the 2015 Target.
    - For 2016 - if the revenues we recognize from sales of Appfluent products during 2016, or the 2016 Revenues, are at least the higher of (i) the product of the 2015 Revenues multiplied by 1.3 and (ii) $9.0 million, or the 2016 Target, we will be required to pay additional consideration equal to three (3) times the excess of the 2016 Revenues over the 2016 Target.
    - The aforesaid milestone-based contingent payments are payable, subject to certain exceptions, in cash (60%) and ordinary shares of the Company (40%), based on the average price per share over a 30-day period prior to applicable payment date, or the Earnout Shares.

The Merger Agreement and related transaction agreements include other customary agreements and covenants, including the following:

- We have agreed to deploy a $2.0 million retention plan (payable in cash and ordinary shares of the Company) to attract and retain certain key employees of Appfluent;
- At Closing, we entered into a registration rights agreement with certain Appfluent stockholders, whereby we have undertaken to file up to two Form F-3 registration statements to allow the holders of the Closing Shares and Holdback Shares (as well as the Earnout Shares, if any) to freely resell such shares under the Securities Act, subject to the "lock-up" undertaking described below. In addition, certain principal Appfluent stockholders who are "accredited investors" will be entitled to piggyback registration rights for a period of six months following the Closing; and
- The Closing Shares will be subject to a "lock-up", whereby, commencing three months after the Closing, only one third of such shares may be sold in each three-month period.

The Merger Agreement also includes customary representations and warranties by the parties, which survive the Closing (and, in general, expire on the 18th month anniversary of the Closing), and indemnification provisions whereby the stockholders of Appfluent will indemnify us and the Buyer for damages arising out of breach(es) or inaccuracies of Appfluent's or Appfluent stockholders' representations, warranties and covenants subject to certain limitations including, in general, a cap on Appfluent stockholders' obligation to indemnify us and the Buyer equal to the Escrow Amount, Holdback Shares and 15% of the aforesaid contemplated contingent payments, if any. Similarly, we and the Buyer agreed to indemnify the stockholders of Appfluent for damages arising out of breach(es) or inaccuracies of Attunity's and Buyer's representations, warranties and covenants subject to certain limitations including, in general, a cap of $3 million. The Escrow Amount and the Holdback Shares will be available to partially secure indemnity claims made by Attunity, if any.

The Closing, which was subject to customary closing conditions, occurred on March 18, 2015.

Acquisition of Hayes

On December 18, 2013, we and Buyer entered into a Share Purchase Agreement, or the Purchase Agreement, with Hayes, the shareholders of Hayes (to which we refer as the "Sellers") and one of the Sellers, as the Shareholders' Representative.

Pursuant to the Purchase Agreement, we acquired all of the outstanding shares of Hayes, with Hayes continuing after the closing as an indirect wholly owned subsidiary of us. Under the Purchase Agreement, the total consideration is composed of:

- $4.5 million in cash, paid at the closing;
- $1.65 million, which are payable in 185,000 ordinary shares of the Company (to which we refer as the "Closing Share Consideration"). 123,500 of these ordinary shares were subject to a six-month "lock-up" period that ended on June 17, 2014, during which period they could not be sold or otherwise disposed, subject to certain exceptions. The balance of 61,500 shares were held-back for one year to secure indemnity claims and were issued on December 17, 2014; and
- Two milestone-based contingent payments of up to, in the aggregate, $4.2 million payable in cash (with option of Sellers to receive up to 50% of such amount in ordinary shares of the Company) which, if earned, are generally payable during April 2015 and April 2016. We expect to pay in April 2015 approximately $2.0 million, for the first milestone-based payment.

The Purchase Agreement includes customary representations, warranties and covenants by the parties, which survived the closing and, subject to certain exceptions, expire on the second anniversary of the closing. In this respect, the Sellers agreed to indemnify us and the Buyer for damages arising out of breach(es) or inaccuracies of Hayes' or the Sellers' representations, warranties and covenants subject to certain limitations, including a cap equal to 25% of the consideration for breach(es) or inaccuracies of Hayes' or the Sellers' representations and warranties. Similarly, we and the Buyer agreed to indemnify the Sellers for damages arising out of breach(es) or inaccuracies of Attunity's and Buyer's representations, warranties and covenants subject to certain limitations, including a cap of $375,000. To secure the Sellers' indemnity obligations (i) one third of the Closing Share Consideration was held-back and not issued for one year and (ii) we and Buyer retained a right to a set-off from the contingent payments.

We also granted the Sellers "piggyback" registration rights, for three years following the closing, in case we file a registration statement relating to the offer and sale of ordinary shares for the account of any of our directors and executive officers.

The closing of the transactions contemplated under the Purchase Agreement, which was subject to customary closing conditions, occurred on December 18, 2013.

Microsoft OEM Agreement (CDC)

In December 2010, we entered into an OEM agreement, or the OEM Agreement, with Microsoft. Pursuant to the OEM Agreement, which has an initial term of five (5) years, we agreed to customize and integrate our CDC software into Microsoft's next version of SQL Server and to provide Microsoft with the associated maintenance services. Global in scope, the OEM Agreement also covers resellers, developers and distributors of Microsoft's SQL Server.

The overall value over the term of the OEM Agreement is nearly $7 million for both the license and maintenance. As such, we are entitled to receive (1) a total of $3.0 million in two payments, which were paid in full during 2011, and (2) a total of $3.9 million in 12 quarterly payments of approximately $0.3 million each, which are expected to start toward the end of 2012. We recognize revenues from this agreement ratably starting 2011 and, starting 2012, in equal quarterly installments during the remainder of the term of the agreement. The OEM Agreement contains customary representations, warranties and covenants of Attunity.

Pursuant to the OEM Agreement, Microsoft is also entitled to a right of first offer, whereby we are required to notify Microsoft in the event that we wish to sell the Company or sell or grant an exclusive license of the technology underlying the CDC product and, if the offer is accepted by Microsoft, negotiate such transaction with Microsoft, or, if rejected by Microsoft, we may enter into such transaction with a third party only on substantially the same or more favorable terms than the initial offer made by us to Microsoft. Microsoft is also entitled to terminate the OEM Agreement under certain circumstances, including upon a change of control of the Company.

Plenus Loan

On January 31, 2007, we entered into the Plenus Loan, whereby Plenus provided us a $2.0 million loan and in connection therewith, we issued to Plenus warrants to purchase up to 109,971 ordinary shares at an initial exercise price per share of $5.456 (subsequently adjusted to $0.48).

In September 2011, in connection with the acquisition of RepliWeb, we and Plenus entered into an amendment to the Plenus Loan and the related security agreements whereby, among other things, (1) the period during which Plenus is entitled to compensation upon consummation of a Fundamental Transaction, as described in the following sentence, was extended until December 31, 2017, and (2) during such extended period, Plenus may elect to receive $300,000 in cash in lieu of such compensation. In particular, under the Plenus Loan, as amended, if on or before December 31, 2017, we enter into a "Fundamental Transaction", which is defined to include a sale through a merger, selling all or substantially all of our assets, or a transaction in which a person or entity acquires more than 50% of our outstanding shares, then we will be required to pay Plenus an amount equal to, in general, the higher of $300,000 or 15% of the aggregate proceeds payable to our shareholders or us in connection with such Fundamental Transaction. We refer to such right as the "Plenus Right."

In January 2012, the Plenus Loan was fully repaid in accordance with its terms. However, the Plenus Right remains outstanding.

D. EXCHANGE CONTROLS

Israeli law and regulations do not impose any material foreign exchange restrictions on non-Israeli holders of our ordinary shares. There are currently no Israeli currency control restrictions on payments of dividends or other distributions with respect to our ordinary shares or the proceeds from the sale of the shares, except for the obligation of Israeli residents to file reports with the Bank of Israel regarding certain transactions. However, legislation remains in effect pursuant to which currency controls can be imposed by administrative action at any time.

The ownership or voting of our ordinary shares by non-residents of Israel, except with respect to citizens of countries which are in a state of war with Israel, is not restricted in any way by our memorandum of association or articles of association or by the laws of the State of Israel.

E. TAXATION

Israeli Tax Considerations

The following is a summary of the current tax structure applicable to companies in Israel, with special reference to its effect on us. The following also contains a discussion of the material Israeli tax consequences to purchasers of our ordinary shares and Israeli government programs benefiting us. This summary does not discuss all the aspects of Israeli tax law that may be relevant to a particular investor in light of his or her personal investment circumstances or to some types of investors subject to special treatment under Israeli law. To the extent that the discussion is based on new tax legislation that has not been subject to judicial or administrative interpretation, we cannot assure you that the tax authorities will accept the views expressed in the discussion in question. The discussion is not intended, and should not be taken, as legal or professional tax advice and is not exhaustive of all possible tax considerations.

General Corporate Tax Structure

Israeli companies are currently subject to "Corporate Tax" on their taxable income at the rate of 26.5% for the 2014 tax year and for future tax years. Israeli companies are generally subject to Capital Gains Tax at the corporate tax rate.

Tax Benefits Under the Law for the Encouragement of Industry (Taxes), 1969

According to the Law for the Encouragement of Industry (Taxes), 1969, or the Industry Encouragement Law, an Industrial Company is a company resident in Israel, at least 90% of the income of which, in a given tax year, determined in Israeli currency (exclusive of income from some government 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 activity in Israel.

Under the Industry Encouragement Law, Industrial Companies are entitled to the following preferred corporate tax benefits:

- amortization of purchases of know-how and patents over an eight-year period for tax purposes;
- deductions over a three-year period of expenses involved with the issuance and listing of shares on a stock market;
- the right to elect, under specified conditions, to file a consolidated tax return with additional related Israeli Industrial Companies; and
- accelerated depreciation rates on equipment.

Eligibility for benefits under the Industry Encouragement Law is not subject to receipt of prior approval from any governmental authority.

We believe that we currently qualify as an Industrial Company within the definition of the Industry Encouragement Law. We cannot assure you that we will continue to qualify as an Industrial Company or that the benefits described above will be available to us in the future.

Tax Benefits and Government Support for Research and Development

Israeli tax law allows, under specific conditions, a tax deduction in the year incurred for expenditures, including capital expenditures, relating to scientific research and development projects, if the expenditures are approved by the relevant Israeli Government ministry, determined by the field of research, and the research and development is for the promotion of the company and is carried out by or on behalf of the company seeking such deduction. However, the amount of such deductible expenses shall be reduced by the sum of any funds received through government grants for the finance of such scientific research and development projects. Expenditures not so approved are deductible over a three-year period.

Israeli Transfer Pricing Regulations

On November 29, 2006, Income Tax Regulations (Determination of Market Terms), 2006, promulgated under Section 85A of the Tax Ordinance, came into force (the "TP Regs"). Section 85A of the Tax Ordinance and the TP Regs generally require that all cross-border transactions carried out between related parties will be conducted on an arm's length principle basis and will be taxed accordingly.

Capital Gains Tax

Israeli law generally imposes a capital gains tax on the sale of any capital assets by residents of Israel, as defined for Israeli tax purposes, and on the sale of capital assets located in Israel, including shares of Israeli companies by non-residents of Israel, unless a specific exemption is available or unless a tax treaty between Israel and the shareholder's country of residence provides otherwise. The law distinguishes between real gain and inflationary surplus. The inflationary surplus is a portion of the total capital gain that is equivalent to the increase of the relevant asset's purchase price which is attributable to the increase in the Israeli CPI, or a foreign currency exchange rate, between the date of purchase and the date of sale. The real gain is the excess of the total capital gain over the inflationary surplus.

Israeli Residents

The tax rate applicable to capital gains derived from the sale of shares, whether listed on a stock market or not, is 25% for Israeli individuals, unless such shareholder claims a deduction for financing expenses in connection with such shares, in which case the gain will generally be taxed at a rate of 30%. Additionally, if such shareholder is considered a "Significant Shareholder" at any time during the 12-month period preceding such sale, i.e. such shareholder holds directly or indirectly, including with others, at least 10% of any means of control in the company, the tax rate shall be 30%. However, the foregoing tax rates will not apply to: (i) dealers in securities; and (ii) shareholders who acquired their shares prior to an initial public offering (that may be subject to a different tax arrangement). Israeli Companies are subject to the Corporate Tax rate on capital gains derived from the sale of listed shares.

The tax basis of our shares acquired by individuals prior to January 1, 2003 will generally be determined in accordance with the average closing share price in the three trading days preceding January 1, 2003. However, a request may be made to the tax authorities to consider the actual adjusted cost of the shares as the tax basis if it is higher than such average price.

As of January 1, 2013, shareholders that are individuals who have taxable income that exceeds NIS 800,000 in a tax year (linked to the CPI each year, which equated to NIS 811,560 in the 2014 tax year), 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 such threshold. For this purpose, taxable income includes taxable capital gains from the sale of our shares and taxable income from dividend distributions.

Non-Israeli Residents

Non-Israeli residents are generally exempt from Israeli capital gains tax on any gains derived from the sale of shares of Israeli companies publicly traded on a recognized stock exchange outside of Israel, provided however that such shareholders did not acquire their shares prior to an initial public offering, and that the gains did not derive from a permanent establishment of such shareholders in Israel. However, non-Israeli corporations will not be entitled to such exemption if Israeli residents (i) have a controlling interest of more than 25% in such non-Israeli corporation, or (ii) are the beneficiaries 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.

In addition, pursuant to the Convention between the Government of the United States of America and the Government of Israel with respect to Taxes on Income, as amended, the sale, exchange or disposition of ordinary shares by a person who qualifies as a resident of the United States within the meaning of the U.S.- Israel Tax Treaty and who is entitled to claim the benefits afforded to such person by the U.S.-Israel Tax Treaty generally will not be subject to the Israeli capital gains tax unless such Treaty U.S. Resident holds, directly or indirectly, shares representing 10% or more of our voting power during any part of the 12-month period preceding such sale, exchange or disposition, subject to particular conditions, or the capital gains from such sale, exchange or disposition can be allocated to a permanent establishment in Israel. In such case, the Treaty U.S. Resident would be subject to Israeli tax, to the extent applicable; however, under the U.S.-Israel Tax Treaty, such Treaty U.S. Resident would be permitted to claim a credit for such taxes against the U.S. federal income tax imposed with respect to such sale, exchange or disposition, subject to the limitations in U.S. laws applicable to foreign tax credits. The U.S.-Israel Tax Treaty does not relate to U.S. state or local taxes.

Taxation of Non-Residents on Dividend Distributions

Non-residents of Israel are subject to income tax on income accrued or derived from sources in Israel. Such sources of income include passive income such as dividends, royalties and interest, as well as non-passive income from services rendered in Israel. On distributions of dividends other than bonus shares or stock dividends, income tax will generally apply at the rate of 25%, or 30% for a shareholder that is considered a Significant Shareholder at any time during the 12-month period preceding such distribution, unless a different rate is provided in a treaty between Israel and the shareholder's country of residence.

Under the U.S.-Israel Tax Treaty, the maximum tax on dividends paid to a holder of ordinary shares who is a Treaty U.S. Resident is 25%. Such tax rate is generally reduced to 12.5% if the shareholder is a U.S. corporation and holds at least 10% of our issued voting power during the part of the tax year that precedes the date of payment of the dividend and during the whole of its prior tax year, however this reduced rate will not apply if more than 25% of the Israeli company's gross income consists of interest or dividends, other than dividends or interest received from subsidiary corporations or corporations 50% or more of the outstanding shares of the voting stock of which is owned by the Israeli company.

United States Federal Income Tax Consequences

THE FOLLOWING SUMMARY IS INCLUDED HEREIN FOR GENERAL INFORMATION AND IS NOT INTENDED TO BE, AND SHOULD NOT BE CONSIDERED TO BE, LEGAL OR TAX ADVICE. EACH U.S. HOLDER SHOULD CONSULT WITH HIS OR HER OWN TAX ADVISOR AS TO THE PARTICULAR U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND SALE OF ORDINARY SHARES, INCLUDING THE EFFECTS OF APPLICABLE STATE, LOCAL, FOREIGN OR OTHER TAX LAWS AND POSSIBLE CHANGES IN THE TAX LAWS.

U.S. Federal Income Taxation

Subject to the limitations described in the next paragraph, the following discussion summarizes the material U.S. federal income tax consequences to a "U.S. Holder" arising from the purchase, ownership and sale of the ordinary shares. For this purpose, a "U.S. Holder" is a holder of ordinary shares that is: (1) an individual citizen or resident of the United States, including an alien individual who is a lawful permanent resident of the United States or meets the substantial presence residency test under U.S. federal income tax laws; (2) a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) or a partnership (other than a partnership that is not treated as a U.S. person under any applicable U.S. Treasury regulations) created or organized in or under the laws of the United States or the District of Columbia or any political subdivision thereof; (3) an estate, the income of which is subject to U.S. federal income tax regardless of source; (4) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have authority to control all substantial decisions of the trust; (5) a trust that has a valid election in effect to be treated as a U.S. person to the extent provided in U.S. Treasury regulations; or (6) any person otherwise subject to U.S. federal income tax on a net income basis in respect of the ordinary shares, if such status as a U.S. Holder is not overridden pursuant to the provisions of an applicable tax treaty.

This summary is for general information purposes only and does not purport to be a comprehensive description of all of the U.S. federal income tax considerations that may be relevant to a decision to purchase or hold our ordinary shares. This summary generally considers only U.S. Holders that will own our ordinary shares as capital assets. Except to the limited extent discussed below, this summary does not consider the U.S. federal tax consequences to a person that is not a U.S. Holder, not does it describe the rules applicable to determine a taxpayer's status as a U.S. Holder. This summary is based on the provisions of the Internal Revenue Code of 1986, as amended, or the Code, final, temporary and proposed U.S. Treasury regulations promulgated thereunder, administrative and judicial interpretations thereof, and the U.S./Israel Income Tax Treaty, all as in effect as of the date hereof and all of which are subject to change, possibly on a retroactive basis, and all of which are open to differing interpretations. Attunity will not seek a ruling from the U.S. Internal Revenue Service, or the IRS, with regard to the U.S. federal income tax treatment of an investment in our ordinary shares by U.S. Holders and, therefore, can provide no assurances that the IRS will agree with the conclusions set forth below.

This discussion does not address all of the aspects of U.S. federal income taxation that may be relevant to a particular shareholder based on such shareholder's particular circumstances and in particular does not discuss any estate, gift, generation-skipping, transfer, state, local or foreign tax considerations. In addition, this discussion does not address the U.S. federal income tax treatment of a U.S. Holder who is: (1) a bank, life insurance company, regulated investment company, or other financial institution or "financial services entity"; (2) a broker or dealer in securities or foreign currency; (3) a person who acquired our ordinary shares in connection with employment or other performance of services; (4) a U.S. Holder that is subject to the U.S. alternative minimum tax; (5) a U.S. Holder that holds our ordinary shares as a hedge or as part of a hedging, straddle, conversion or constructive sale transaction or other risk-reduction transaction for U.S. federal income tax purposes; (6) a tax-exempt entity; (7) real estate investment trusts; (8) a U.S. Holder that expatriates out of the United States or a former long-term resident of the United States; or (9) a person having a functional currency other than the U.S. dollar. This discussion does not address the U.S. federal income tax treatment of a U.S. Holder that owns, directly or constructively, at any time, ordinary shares representing 10% or more of our voting power. Additionally, the U.S. federal income tax treatment of persons who hold ordinary shares through a partnership or other pass-through entity are not considered.

You are encouraged to consult your own tax advisor with respect to the specific U.S. federal and state income tax consequences to you of purchasing, holding or disposing of our ordinary shares, including the effects of applicable state, local, foreign or other tax laws and possible changes in the tax laws.

Distributions on Ordinary Shares

We do not intend to pay dividends in the foreseeable future. In the event that we do pay dividends, and subject to the discussion under the heading "Passive Foreign Investment Companies" below, a U.S. Holder will be required to include in gross income as ordinary income the amount of any distribution paid on ordinary shares (including the amount of any Israeli tax withheld on the date of the distribution), to the extent that such distribution does not exceed our current and accumulated earnings and profits, as determined for U.S. federal income tax purposes. The amount of a distribution which exceeds our earnings and profits will be treated first as a non-taxable return of capital, reducing the U.S. Holder's tax basis for the ordinary shares to the extent thereof, and then capital gain. Corporate holders generally will not be allowed a deduction for dividends received. For noncorporate U.S. Holders, to the extent that their total adjusted income does not exceed applicable thresholds, the maximum federal income tax rate for "qualified dividend income" and long-term capital gains is generally 15%. For those noncorporate U.S. Holders whose total adjusted income exceeds such income thresholds, the maximum federal income tax rate for "qualified dividend income" and long-term capital gains is generally 20%. For this purpose, "qualified dividend income" means, *inter alia*, dividends received from a "qualified foreign corporation." A "qualified foreign corporation" is a corporation that is entitled to the benefits of a comprehensive tax treaty with the United States which includes an exchange of information program. The IRS has stated that the Israel/U.S. Tax Treaty satisfies this requirement and we believe we are eligible for the benefits of that treaty.

In addition, our dividends will be qualified dividend income if our ordinary shares are readily tradable on the NASDAQ Capital Market or another established securities market in the United States. Dividends will not qualify for the preferential rate if we are treated, in the year the dividend is paid or in the prior year, as a passive foreign investment company, or PFIC. A U.S. Holder will not be entitled to the preferential rate: (1) if the U.S. Holder has not held our ordinary shares or ADRs for at least 61 days of the 121 day period beginning on the date which is 60 days before the ex-dividend date, or (2) to the extent the U.S. Holder is under an obligation to make related payments on substantially similar property. Any days during which the U.S. Holder has diminished its risk of loss on our ordinary shares are not counted towards meeting the 61-day holding period. Finally, U.S. Holders who elect to treat the dividend income as "investment income" pursuant to Code section 163(d)(4) will not be eligible for the preferential rate of taxation.

The amount of a distribution with respect to our ordinary shares will be measured by the amount of the fair market value of any property distributed, and for U.S. federal income tax purposes, the amount of any Israeli taxes withheld therefrom. Cash distributions paid by us in NIS will be included in the income of U.S. Holders at a U.S. dollar amount based upon the spot rate of exchange in effect on the date the dividend is includible in the income of the U.S. Holder, and U.S. Holders will have a tax basis in such NIS for U.S. federal income tax purposes equal to such U.S. dollar value. If the U.S. Holder subsequently converts the NIS, any subsequent gain or loss in respect of such NIS arising from exchange rate fluctuations will be U.S. source ordinary exchange gain or loss.

Distributions paid by us will generally be foreign source income for U.S. foreign tax credit purposes. Subject to the limitations set forth in the Code, U.S. Holders may elect to claim a foreign tax credit against their U.S. income tax liability for Israeli income tax withheld from distributions received in respect of the ordinary shares. In general, these rules limit the amount allowable as a foreign tax credit in any year to the amount of regular U.S. tax for the year attributable to foreign source taxable income. This limitation on the use of foreign tax credits generally will not apply to an electing individual U.S. Holder whose creditable foreign taxes during the year do not exceed $300, or $600 for joint filers, if such individual's gross income for the taxable year from non-U.S. sources consists solely of certain passive income. A U.S. Holder will be denied a foreign tax credit with respect to Israeli income tax withheld from dividends received with respect to the ordinary shares if such U.S. Holder has not held the ordinary shares for at least 16 days out of the 31-day period beginning on the date that is 15 days before the ex-dividend date or to the extent that such U.S. Holder is under an obligation to make certain related payments with respect to substantially similar or related property. Any day during which a U.S. Holder has substantially diminished his or her risk of loss with respect to the ordinary shares will not count toward meeting the 16-day holding period. A U.S. Holder will also be denied a foreign tax credit if the U.S. Holder holds the ordinary shares in an arrangement in which the U.S. Holder's reasonably expected economic profit is insubstantial compared to the foreign taxes expected to be paid or accrued. The rules relating to the determination of the U.S. foreign tax credit are complex, and U.S. Holders should consult with their own tax advisors to determine whether, and to what extent, they are entitled to such credit. U.S. Holders that do not elect to claim a foreign tax credit may instead claim a deduction for Israeli income taxes withheld, provided such U.S. Holders itemize their deductions.

Disposition of Shares

Except as provided under the PFIC rules described below, upon the sale, exchange or other disposition of our ordinary shares, a U.S. Holder will recognize capital gain or loss in an amount equal to the difference between such U.S. Holder's tax basis for the ordinary shares and the amount realized on the disposition (or its U.S. dollar equivalent determined by reference to the spot rate of exchange on the date of disposition, if the amount realized is denominated in a foreign currency). The gain or loss realized on the sale or exchange or other disposition of ordinary shares will be long-term capital gain or loss if the U.S. Holder has a holding period of more than one year at the time of the disposition.

In general, gain realized by a U.S. Holder on a sale, exchange or other disposition of ordinary shares will generally be treated as U.S. source income for U.S. foreign tax credit purposes. A loss realized by a U.S. Holder on the sale, exchange or other disposition of ordinary shares is generally allocated to U.S. source income. However, U.S. Treasury regulations require such loss to be allocated to foreign source income to the extent specified dividends were received by the taxpayer within the 24-month period preceding the date on which the taxpayer recognized the loss. The deductibility of a loss realized on the sale, exchange or other disposition of ordinary shares is subject to limitations.

Tax on Net Investment Income

U.S. Holders who are individuals, estates or trusts will generally be required to pay a new 3.8% tax on their net investment income (including dividends on and gains from the sale or other disposition of our ordinary shares), or in the case of estates and trusts on their net investment income that is not distributed. In each case, the 3.8% Medicare tax applies only to the extent the U.S. Holder's total adjusted income exceeds applicable thresholds.

Passive Foreign Investment Companies

Special U.S. federal income tax laws apply to a U.S. Holder who owns shares of a corporation that was (at any time during the U.S. Holder's holding period) a PFIC. We would be treated as a PFIC for U.S. federal income tax purposes for any tax year if, in such tax year, either:

75% or more of our gross income (including our *pro rata* share of gross income for any company, U.S. or foreign, in which we are considered to own 25% or more of the shares by value), in a taxable year is passive (the "Income Test"); or

At least 50% of our assets, averaged over the year and generally determined based upon value (including our *pro rata* share of the assets of any company in which we are considered to own 25% or more of the shares by value), in a taxable year are held for the production of, or produce, passive income (the "Asset Test").

For this purpose, passive income generally consists of dividends, interest, rents, royalties, annuities and income from certain commodities transactions and from notional principal contracts. Cash is treated as generating passive income.

If we are or become a PFIC, each U.S. Holder who has not elected to treat us as a qualified electing fund by making a "QEF election", or who has not elected to mark the shares to market (as discussed below), would, upon receipt of certain distributions by us and upon disposition of our ordinary shares at a gain, be liable to pay U.S. federal income tax at the then prevailing highest tax rates on ordinary income plus interest on such tax, as if the distribution or gain had been recognized ratably over the taxpayer's holding period for the ordinary shares. In addition, when shares of a PFIC are acquired by reason of death from a decedent that was a U.S. Holder, the tax basis of such shares would not receive a step-up to fair market value as of the date of the decedent's death, but instead would be equal to the decedent's basis if lower, unless all gain were recognized by the decedent. Indirect investments in a PFIC may also be subject to special U.S. federal income tax rules.

The PFIC rules would not apply to a U.S. Holder who makes a QEF election for all taxable years that such U.S. Holder has held the ordinary shares while we are a PFIC, provided that we comply with specified reporting requirements. Instead, each U.S. Holder who has made such a QEF election is required for each taxable year that we are a PFIC to include in income such U.S. Holder's *pro rata* share of our ordinary earnings as ordinary income and such U.S. Holder's *pro rata* share of our net capital gains as long-term capital gain, regardless of whether we make any distributions of such earnings or gain. In general, a QEF election is effective only if we make available certain required information. The QEF election is made on a shareholder-by-shareholder basis and generally may be revoked only with the consent of the IRS. Although we have no obligation to do so, we intend to notify U.S. Holders if we believe we will be treated as a PFIC for any tax year in order to enable U.S. Holders to consider whether to make a QEF election. In addition, we intend to comply with the applicable information reporting requirements for U.S. Holders to make a QEF election. U.S. Holders should consult with their own tax advisors regarding eligibility, manner and advisability of making a QEF election if we are treated as a PFIC.

A U.S. Holder of PFIC shares which are traded on qualifying public markets, including the NASDAQ Capital Market, can elect to mark the shares to market annually, recognizing as ordinary income or loss each year an amount equal to the difference as of the close of the taxable year between the fair market value of the PFIC shares and the U.S. Holder's adjusted tax basis in the PFIC shares. Losses are allowed only to the extent of net mark-to-market gain previously included income by the U.S. Holder under the election for prior taxable years.

We believe that we were not a PFIC for any of our 2007 through 2014 taxable years. The tests for determining PFIC status, however, are applied annually, and it is difficult to make accurate projections of future income and assets which are relevant to this determination. Accordingly, there can be no assurance that we are not or will not become a PFIC. 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, subject to specified exceptions for U.S. Holders who made a QEF or mark-to-market election. U.S. Holders are strongly urged to consult their tax advisors about the PFIC rules, including tax return filing requirements and the eligibility, manner, and consequences to them of making a QEF or mark-to-market election with respect to our ordinary shares in the event that we qualify as a PFIC.

Information Reporting and Withholding

A U.S. Holder may be subject to backup withholding at a rate of 28% with respect to cash dividends and proceed from a disposition of ordinary shares. In general, back-up withholding will apply only if a U.S. Holder fails to comply with specified identification procedures. Backup withholding will not apply with respect to payments made to designated exempt recipients, such as corporations and tax-exempt organizations. Backup withholding is not an additional tax and may be claimed as a credit against the U.S. federal income tax liability of a U.S. Holder, provided that the required information is timely furnished to the IRS.

Under the Hiring Incentives to Restore Employment Act of 2010 (the "HIRE Act"), some payments made to "foreign financial institutions" in respect of accounts of U.S. stockholders at such financial institutions may be subject to withholding at a rate of 30%. U.S. Treasury Regulations provide that such withholding will only apply to distributions paid on or after January 1, 2014 (a notice issued by the IRS, Notice 2013-31, postponed the date on which the 30% will start to apply to June 30, 2014), and to other "withholdable payments" (including payments of gross proceeds from a sale or other disposition of our ordinary shares) made on or after January 1, 2017. U.S. Holders should consult their tax advisors regarding the effect, if any, of the HIRE Act on their ownership and disposition of our ordinary shares. See "—Non-U.S. Holders of Ordinary Shares."

Non-U.S. Holders of Ordinary Shares

Except as provided below, an individual, corporation, estate or trust that is not a U.S. Holder generally 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.

A non-U.S. Holder may be subject to U.S. federal income or withholding tax on a dividend paid on our ordinary shares or the proceeds from the disposition of our ordinary shares if: (1) such item is effectively connected with the conduct by the non-U.S. Holder of a trade or business in the United States or, in the case of a non-U.S. Holder that is a resident of a country which has an income tax treaty with the United States, such item is attributable to a permanent establishment or, in the case of gain realized by an individual non-U.S. Holder, a fixed place of business in the United States; (2) in the case of a disposition of our ordinary shares, the individual non-U.S. Holder is present in the United States for 183 days or more in the taxable year of the sale and other specified conditions are met; (3) the non-U.S. Holder is subject to U.S. federal income tax pursuant to the provisions of the U.S. tax law applicable to U.S. expatriates.

In general, non-U.S. Holders will not be subject to backup withholding with respect to the payment of dividends on our ordinary shares if payment is made through a paying agent, or office of a foreign broker outside the United States. However, if payment is made in the United States or by a U.S. related person, non-U.S. Holders may be subject to backup withholding, unless the non-U.S. Holder provides on an applicable Form W-8 (or a substantially similar form) a taxpayer identification number, certifies to its foreign status, or otherwise establishes an exemption. A U.S. related person for these purposes is a person with one or more current relationships with the United States.

The amount of any backup withholding from a payment to a non-U.S. Holder will be allowed as a credit against such holder's U.S. federal income tax liability and may entitle such holder to a refund, provided that the required information is timely furnished to the IRS.

The HIRE Act may impose withholding taxes on some types of payments made to "foreign financial institutions" and some other non-U.S. entities. Under the HIRE Act, the failure to comply with additional certification, information reporting and other specified requirements could result in withholding tax being imposed on payments of dividends and sales proceeds to U.S. Holders that own ordinary shares through foreign accounts or foreign intermediaries and specified non-U.S. Holders. The HIRE Act imposes a 30% withholding tax on dividends on, and gross proceeds from the sale or other disposition of, ordinary shares paid from the United States to a foreign financial institution or to a foreign nonfinancial entity, unless (1) the foreign financial institution undertakes specified diligence and reporting obligations or (2) the foreign nonfinancial entity either certifies it does not have any substantial U.S. owners or furnishes identifying information regarding each substantial U.S. owner. In addition, if the payee is a foreign financial institution, it generally must enter into an agreement with the U.S. Treasury that requires, among other things, that it undertake to identify accounts held by specified U.S. persons or U.S.-owned foreign entities, annually report certain information about such accounts, and withhold 30% on payments to other specified account holders. U.S. Treasury Regulations provide that such withholding will only apply to distributions paid on or after January 1, 2014 (a notice issued by the IRS, Notice 2013-31, postponed the date on which the 30% will start to apply to June 30, 2014), and to other "withholdable payments" (including payments of gross proceeds from a sale or other disposition of our ordinary shares) made on or after January 1, 2017. You should consult your tax advisor regarding the HIRE Act.

F. DIVIDENDS AND PAYING AGENTS

Not applicable.

G. STATEMENT BY EXPERTS

Not applicable.

H. DOCUMENTS ON DISPLAY

We are subject to the reporting requirements of the United States Securities Exchange Act of 1934, as amended, or the Exchange Act, as applicable to "foreign private issuers" as defined in Rule 3b-4 under the Exchange Act, and in accordance therewith, we file annual and interim reports and other information with the SEC.

As a foreign private issuer, we are exempt from certain provisions of the Exchange Act. Accordingly, our proxy solicitations are not subject to the disclosure and procedural requirements of Regulation 14A under the Exchange Act and transactions in our equity securities by our officers and directors are exempt from reporting and the "short-swing" profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file periodic reports and financial statements as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act.

Notwithstanding the foregoing, we furnish reports with the SEC on Form 6-K containing unaudited financial information for the first three quarters of each fiscal year and we solicit proxies and furnish proxy statements for all meetings of shareholders, a copy of which proxy statement is furnished promptly thereafter with the SEC under the cover of a Current Report on Form 6-K.

This annual report and the exhibits thereto and any other document we file pursuant to the Exchange Act may be inspected without charge and copied at prescribed rates at the following SEC public reference rooms: 100 F Street, N.E., Washington, D.C. 20549; and on the SEC Internet site (http://www.sec.gov) and on our website www.attunity.com. However, the content of our website is not incorporated by reference into this annual report.

You may obtain information on the operation of the SEC's public reference room in Washington, D.C. by calling the SEC at 1-800-SEC-0330 or by visiting the SEC's website at http://www.sec.gov. The Exchange Act file number for our SEC filings is 0-20892.

The documents concerning our Company which are referred to in this annual report may also be inspected at our offices located at 16 Atir Yeda Street, Atir Yeda Industrial Park, Kfar Saba, 4464321, Israel.

I. SUBSIDIARY INFORMATION

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

General

We are exposed to a variety of market risks, including foreign currency fluctuations and changes in interest rates. To manage the volatility related to the foreign currency exposure, we may enter from time to time into various derivative transactions. However, we do not use financial instruments for trading purposes and are not a party to any leveraged derivative.

As of December 31, 2014, we had cash and cash equivalents (including restricted cash) of approximately $19.4 million. As of that date, most of such cash and cash equivalents were held in U.S. dollars and NIS. The majority of our cash and cash equivalents are invested in banks in Israel and, to a smaller extent, in banks in the United States. The Israeli bank deposits are not insured, while the deposits made in the United States are in excess of insured limits and are not otherwise insured.

Interest Rate Risk

Our exposure to market risk for changes in interest rates is immaterial primarily because our cash and cash equivalents are mostly deposited in short-term deposits and we do not have any material borrowings.

Our cash and cash equivalents are held substantially in NIS and in U.S. dollars. We place our cash and cash equivalents with major financial banks.

For purposes of specific risk analysis, we use a sensitivity analysis to determine the impact that market risk exposure may have on the financial income derived from our cash and cash equivalents or financial expenses associated with our borrowings. The potential loss to us over one year that would result from a hypothetical change of 10% in the LIBOR or other prime interest rates would be immaterial, as we do not have material borrowings nor do we have material deposits.

Foreign Currency Exchange Risk

Our financial results may be negatively impacted by foreign currency fluctuations. Our foreign operations are generally transacted through our international sales subsidiaries in Europe, the Middle East and Asia Pacific. As a result, these sales and related expenses are denominated in currencies other than the U.S. dollar. Because our financial results are reported in U.S. dollars, our results of operations may be adversely impacted by fluctuations in the rates of exchange between the U.S. dollar and those other currencies. In addition, a significant portion of our operating costs are incurred in NIS. In the past several years, the NIS appreciated against the U.S. dollar, which raised the dollar cost of our Israeli operations. However, in 2014, with the devaluation of NIS against the U.S. dollar, the dollar cost of our Israeli operations decreased.

The following table sets forth, for the periods indicated, (1) devaluation or appreciation of the U.S. dollar against the most significant currencies for our business, i.e., the NIS, the GBP and the Euro; and (2) inflation as reflected in changes in the Israeli consumer price index.

	Year Ended December 31,				
	2010	**2011**	**2012**	**2013**	**2014**
NIS	(6.4)%	7.7%	(1.3)%	(6.4)%	12.2%
Euro	7.4%	4.2%	(0.4)%	(3.2)%	13.3%
GBP	4.4%	7.3%	2.5%	(7.5)%	6.2%
Israeli Consumer Price Index	2.7%	2.2%	1.6%	1.83%	(0.2)%

Our operating results may be affected by fluctuations in the value of the dollar as it relates to foreign currencies, predominantly the NIS. In 2014, the devaluation of the NIS in relation to the dollar decreased the dollar reporting value of our operating expenses by approximately $0.1 million for that year. By contrast, in 2013, the revaluation of the NIS in relation to the dollar increased the dollar reporting value of our operating expenses by approximately $0.7 million for that year. Other than that, foreign currency fluctuations did not have a material impact on our financial results in the past three years.

A revaluation of the NIS in relation to the dollar, as was the case in 2008 through 2010 and in 2012 through 2013, has the effect of increasing the dollar amount of any of our expenses or liabilities which are payable in NIS (unless such expenses or payables are linked to the dollar). For example, an increase of 10% in the value of the NIS relative to the U.S. dollar in 2013 would have resulted in an increase in the U.S. dollar reporting value of our operating expenses of approximately $1.1 million for that year. A revaluation of the NIS relative to the U.S. dollar also has the effect of increasing the dollar value of any asset, which consists of NIS or receivables payable in NIS (unless such receivables are linked to the dollar). Conversely, any decrease in the value of the NIS in relation to the dollar, has the effect of decreasing the dollar value of any unlinked NIS assets and the dollar amounts of any unlinked NIS liabilities and expenses.

During 2014, we engaged in currency hedging transactions intended to reduce the effect of fluctuations in currency exchange rates on our financial statements and we may enter into similar transactions in the future. As of December 31, 2014, we had outstanding currency options in the total amount of approximately $6.3 million to hedge portions of our forecasted expenses denominated in NIS with put and call options ("zero-cost cylinder"). These options expire in various dates until January 2016. However, we cannot guarantee that such measures will effectively protect us from adverse effects due to the impact of change in currency exchange rates.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

ITEMS 12A, 12B AND 12C

Not applicable.

ITEM 12D

The Company does not have any outstanding American Depositary Shares or American Depositary Receipts.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable.

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

None.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management, including our chief executive officer, or CEO, and our chief financial officer, or CFO, is responsible for establishing and maintaining our disclosure controls and procedures (within the meaning of Rule 13a-15(e) of the Exchange Act). These controls and procedures were designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that such information was accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure. We evaluated these disclosure controls and procedures under the supervision of our CEO and CFO as of December 31, 2014. Based upon that evaluation, our management, including our CEO and CFO, concluded that our disclosure controls and procedures are effective as of December 31, 2014.

Management's Annual Report on Internal Control Over Financial Reporting

We performed an evaluation of the effectiveness of our internal control over financial reporting that is designed by, or under the supervision of, our principal executive and principal financial officers, and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes those policies and procedures that:

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

Our management recognizes that there are inherent limitations in the effectiveness of any system of internal control over financial reporting, including the possibility of human error and the circumvention or override of internal control. Accordingly, even effective internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation, and may not prevent or detect all misstatements. Further, because of changes in conditions, the effectiveness of internal control over financial reporting may vary over time.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2014 based on the framework for Internal Control-Integrated Framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission (2013).

Based on such evaluation, our management, including the CEO and CFO, has concluded that our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) as of December 31, 2014 is effective.

Attestation Report of the Registered Public Accounting Firm

The effectiveness of our internal control over financial reporting as of December 31, 2014, has been audited by Kost, Forer, Gabbay & Kasierer, a member of Ernst & Young Global, or EY, an independent registered public accounting firm who audited and reported on the consolidated financial statements of the Company for the year ended December 31, 2014.

This annual report includes an attestation report of EY, our registered public accounting firm, regarding internal control over financial reporting on page F-3 of our audited consolidated financial statements set forth in "Item 18 – Financial Statements", and incorporated herein by reference.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred during the year ended December 31, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has determined that Mr. Dan Falk, who serves on our audit committee, meets the definition of an audit committee financial expert, as that term is defined in Item 16A of Form 20-F. Mr. Falk qualified as an "independent director" using the NASDAQ Stock Market definition of independence, in NASDAQ Listing Rule 5605(a)(2).

ITEM 16B. CODE OF ETHICS

We have adopted a code of ethics that applies to all of our directors, executive officers and employees. The code of ethics is publicly available on our website at www.attunity.com. If we make any amendment to the code of ethics or grant any waivers, including any implicit waiver, from a provision of the codes of ethics, which applies to our chief executive officer, chief financial officer, chief accounting officer or controller, or persons performing similar functions, we will disclose the nature of such amendment or waiver on our website. The information on our website is not incorporated by reference into this annual report.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Fees Paid to Independent Public Accountants

In the annual meeting held on December 30, 2014, our shareholders approved the reappointment of EY as our independent registered public accounting firm until the next annual meeting.

The following table sets forth, for each of the years indicated, the aggregate fees billed by EY and the percentage of each of the fees out of the total amount paid to them:

	Year Ended December 31,			
	2014		2013	
Services Rendered	Fees (in US$)	Percentages	Fees (in US$)	Percentages
Audit Fees (1)	$ 231,687	87%	$ 152,041	51%
Audit-Related Fees (2)	-	-	52,000	17%
Tax Fees (3)	33,570	13%	62,356	21%
All Other Fees (4)	-	-	32,000	11%
Total	265,257	100%	298,397	100%

(1) Audit fees consist of fees for professional services rendered by our principal accountant for the audit of our consolidated annual financial statements, including in the year ended December 31, 2014, the audit of our internal control over financial reporting, or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements.

(2) Audit-related fees consist of services performed by EY in connection with the public offering we conducted in November 2013.

(3) Tax fees relate to services performed by the tax division of EY for tax compliance, planning and advice, including a transfer pricing study.

(4) Other fees relate to tax due diligence and tax planning services associated with acquisitions.

Pre-Approval Policies and Procedures

Our audit committee has adopted a policy and procedures for the pre-approval of audit and non-audit services rendered by EY. Pre-approval of an audit or non-audit service may be given as a general pre-approval, as part of the audit committee's approval of the scope of the engagement of EY, or on an individual basis. Any proposed services exceeding general pre-approved levels also require specific pre-approval by our audit committee. The policy prohibits retention of the independent registered public accounting firm to perform the prohibited non-audit functions defined in Section 201 of the SOX or the rules of the SEC, and also requires the audit committee to consider whether proposed services are compatible with the independence of the public accountants. All of the fees in the table above were approved in accordance with these policies and procedures.

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

None.

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

None.

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 Capital Market. As such, we are required to comply with U.S. federal securities laws, including SOX, and the NASDAQ rules, including the NASDAQ corporate governance requirements. The NASDAQ 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:

The NASDAQ 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 shareholder meetings. Our articles of association, as permitted under the Israeli Companies Law and Israeli practice, provide that the quorum requirements for shareholders meetings are at least 25% of the total voting rights in the Company or, with respect to adjourned shareholders meetings convened by the board of directors, the presence of a minimum of two shareholders.

The NASDAQ rules (namely, NASDAQ Listing Rule 5635(c)) also require shareholder approval of stock option plans available to officers, directors or employees and any material amendments thereto. We have decided to follow home country practice in lieu of obtaining shareholder approval for our stock option plans. However, subject to exceptions permitted under the Companies Law, we are required to seek shareholder approval of any grants of options to directors and controlling shareholders or plans that require shareholder approval for other reasons.

Additionally, we have chosen to follow our home country practice in lieu of the requirements of NASDAQ Listing Rule 5250(d)(1), relating to an issuer's furnishing of its annual report to shareholders. 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.

Item 16H. **MINE SAFETY DISCLOSURE**

Not applicable.

PART III

ITEM 17. **FINANCIAL STATEMENTS**

The Company has elected to furnish financial statements and related information specified in Item 18.

ITEM 18. **FINANCIAL STATEMENTS**

Consolidated Financial Statements.

ITEM 19. EXHIBITS

Exhibit	Description
1.1	Memorandum of Association of the Registrant, as amended and restated ¶ (1)
1.2	Amended and Restated Articles of Association of the Registrant (2)
2.1	Specimen of Ordinary Share Certificate (3)
4.3	2001 Stock Option Plan, as amended (4)
4.4	2003 Israeli Stock Option Plan, as amended (5)
4.5	Loan Agreement dated January 31, 2007 among the Registrant and Plenus Technologies Ltd.; Form of First and Second Warrants to purchase Ordinary Shares issued by the Registrant to Plenus; Floating Charge Agreement dated January 31, 2007 among the Registrant, Plenus and its affiliates; and Fixed Charge Agreement dated January 31, 2007 among the Registrant, Plenus and its affiliates (6), as amended by Amendment to the Loan Agreement and Charge Agreements, dated March 30, 2009 (7), and by Amendment No. 2 to the Loan Agreement and Charge Agreements, dated September 4, 2011 (8)
4.6	Form of Indemnification Letter (9)
4.7	Change Data Capture OEM Agreement, dated as of December 14, 2010, by and between Attunity Inc. and Microsoft Corporation (10)
4.8	2012 Stock Incentive Plan (11)
4.9	Compensation Policy for Executive Officers and Directors (12)
4.10	Share Purchase Agreement, dated as of December 18, 2013, by and among the Registrant, Attunity Inc., Hayes Technology Group, Inc., and the other persons named therein (13)
4.11	Agreement and Plan of Merger, dated as of March 5, 2015, by and among the Registrant, Attunity Inc., Appfluent Technology, Inc. and the other signatories thereto*
4.12	Registration Rights Agreement, dated as of March 18, 2015, by and among the Registrant and the other signatories thereto*
8	List of Subsidiaries of the Registrant*
12.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended*
12.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended*
13.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350**
13.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350**

15.1	Consent of Kost Forer Gabbay & Kasierer, a Member of Ernst & Young Global*
101	The following financial information from the Registrant's Annual Report on Form 20-F for the year ended December 31, 2014, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Operations; (iii) Consolidated Statement of Comprehensive Income (Loss); (iv) Statements of Changes in Shareholders' Equity; (v) Consolidated Statements of Cash Flows; and (vi) Notes to Consolidated Financial Statements, tagged as blocks of text and in detail*

_____

(1) Filed as Exhibit 3.1 to the Registrant's Registration Statement on Form F-3, filed with the SEC on September 27, 2012, and incorporated herein by reference.
(2) Filed as Exhibit 3.2 to the Registrant's Registration Statement on Form F-3, filed with the SEC on September 27, 2012, and incorporated herein by reference.
(3) Filed as Exhibit 4.1 to the Registrant's Registration Statement on Form F-3, filed with the SEC on September 27, 2012, and incorporated herein by reference.
(4) Filed as Exhibit 4.3 to the Registrant's Registration Statement on Form S-8, filed with the SEC on January 26, 2005, and incorporated herein by reference. The 2001 Stock Option Plan was amended in the annual general meetings of the Registrant's shareholders in December 2005 and December 2006, as reflected in Item 3 of the Registrant's Proxy Statement filed on Report of Foreign Private Issuer on Form 6-K submitted to the SEC on November 29, 2005, and in Item 2 of the Registrant's Proxy Statement filed on Report of Foreign Private Issuer on Form 6-K submitted to the SEC on November 22, 2006, which are incorporated herein by reference.
(5) Filed as Exhibit 4.4 to the Registrant's Registration Statement on Form S-8, filed with the SEC on January 26, 2005, and incorporated herein by reference. The 2003 Israeli Stock Option Plan was amended in the annual general meetings of the Registrant's shareholders in December 2005 and December 2006, as reflected in Item 3 of the Registrant's Proxy Statement filed on Report of Foreign Private Issuer on Form 6-K submitted to the SEC on November 29, 2005, and in Item 2 of the Registrant's Proxy Statement filed on Report of Foreign Private Issuer on Form 6-K submitted to the SEC on November 22, 2006, which are incorporated herein by reference.
(6) Filed as Exhibits 4.1, 4.2, 4.3, 4.4 and 4.5, respectively, to the Registrant's Report of Foreign Private Issuer on Form 6-K submitted to the SEC on February 6, 2007, and incorporated herein by reference.
(7) Filed as Exhibit 4.6 to the Registrant's Annual Report on Form 20-F for the year ended December 31, 2008, and incorporated herein by reference.
(8) Filed as Exhibit 4.6 to the Registrant's Annual Report on Form 20-F/A for the year ended December 31, 2011, and incorporated herein by reference.
(9) Filed as Appendix B to the Registrant's Proxy Statement filed on Report of Foreign Private Issuer on Form 6-K submitted to the SEC on November 14, 2011, and incorporated herein by reference.
(10) Filed as Exhibit 4.10 to the Registrant's Annual Report on Form 20-F for the year ended December 31, 2010, and incorporated herein by reference.
(11) Filed as Appendix A to the Registrant's Proxy Statement filed on Report of Foreign Private Issuer on Form 6-K submitted to the SEC on November 20, 2012, and incorporated herein by reference.
(12) Filed as Appendix A to the Registrant's Proxy Statement filed on Report of Foreign Private Issuer on Form 6-K submitted to the SEC on November 19, 2013, and incorporated herein by reference.
(13) Filed as Exhibit 4.13 to the Registrant's Annual Report on Form 20-F for the year ended December 31, 2013, and incorporated herein by reference.

¶ Translated from Hebrew

* Filed herewith.

** Furnished herewith.

ATTUNITY LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2014

U.S. DOLLARS IN THOUSANDS

INDEX

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of

ATTUNITY LTD.

We have audited the accompanying consolidated balance sheets of Attunity Ltd. and subsidiaries (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income (loss), changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2014. 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and subsidiaries at December 31, 2014 and 2013, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2014, 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 April 14, 2015, expressed an unqualified opinion thereon.

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

Tel-Aviv, Israel
April 14, 2015

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of

ATTUNITY LTD.

We have audited Attunity Ltd. and subsidiaries (the "Company") internal control over financial reporting as of December 31, 2014, 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.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, 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 2013 and the related consolidated statements of operations, comprehensive income (loss), changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2014 of the Company and our report dated April 14, 2015 expressed an unqualified opinion thereon.

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

Tel-Aviv, Israel
April 14, 2015

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

	December 31,	
	2014	**2013**
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 18,959	$ 16,481
Restricted cash	430	-
Trade receivables (net of allowance for doubtful accounts of $15 at December 31, 2014 and 2013)	5,991	5,224
Other accounts receivable and prepaid expenses	453	685
Total current assets	25,833	22,390
Severance pay fund	3,247	3,233
Property and equipment, net	980	879
Intangible assets, net	5,402	5,345
Goodwill	17,467	17,748
Other assets	577	385
Total long-term assets	27,673	27,590
Total assets	$ 53,506	$ 49,980

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

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands, except share and amounts per share data

	December 31,	
	2014	**2013**
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	$ 322	$ 458
Payment obligation related to acquisitions	2,278	503
Deferred revenues	7,091	5,065
Employees and payroll accruals	3,023	3,210
Accrued expenses and other current liabilities	1,551	862
Total current liabilities	14,265	10,098
LONG-TERM LIABILITIES:		
Deferred revenue	576	957
Liability presented at fair value	906	1,093
Payment obligation related to acquisitions	2,208	3,280
Accrued severance pay	4,296	4,328
Other liabilities	98	126
Total long-term liabilities	8,084	9,784
SHAREHOLDERS' EQUITY:		
Share capital - Ordinary shares of NIS 0.4 par value - Authorized: 32,500,000 shares at December 31, 2014 and 2013; Issued and outstanding: 15,375,716 shares at December 31, 2014 and 14,527,292 shares at December 31, 2013	1,772	1,677
Additional paid-in capital	133,931	130,944
Receipt on account of shares	-	81
Accumulated other comprehensive loss	(871)	(621)
Accumulated deficit	(103,675)	(101,983)
Total shareholders' equity	31,157	30,098
Total liabilities and shareholders' equity	$ 53,506	$ 49,980

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

CONSOLIDATED STATEMENTS OF OPERATIONS

U.S. dollars and share amounts in thousands, except per share data

	Year ended December 31,		
	2014	**2013**	**2012**
Revenues:			
Software licenses	$ 20,128	$ 13,364	$ 14,437
Maintenance and services	15,524	11,833	11,042
Total revenues	35,652	25,197	25,479
Operating expenses:			
Cost of software licenses	890	748	831
Cost of maintenance and services	2,431	1,384	1,525
Research and development	9,316	7,756	7,748
Selling and marketing	19,136	11,793	9,833
General and administrative	3,944	3,574	3,024
Total operating expenses	35,717	25,255	22,961
Operating (loss) income	(65)	(58)	2,518
Financial expenses, net	893	627	1,241
(Loss) income before taxes on income	(958)	(685)	1,277
Taxes on income (income tax benefit)	734	(56)	(209)
Net (loss) income	$ (1,692)	$ (629)	$ 1,486
Basic net (loss) income per share	$ (0.11)	$ (0.05)	$ 0.14
Weighted average number of shares used in computing basic net (loss) income per share	15,024	11,474	10,716
Diluted net (loss) income per share	$ (0.11)	$ (0.05)	$ 0.12
Weighted average number of shares used in computing Diluted net income (loss) per share	$ 15,024	$ 11,474	$ 12,311

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

U.S. dollars in thousands

	Year ended December 31,		
	2014	**2013**	**2012**
Net (loss) income	$ (1,692)	$ (629)	$ 1,486
Other comprehensive (loss) income:			
Foreign currency translation adjustment	(250)	51	18
Net change in accumulated comprehensive (loss) income	(250)	51	18
Comprehensive (loss) income	$ (1,942)	$ (578)	$ 1,504

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

U.S. dollars in thousands, except share data

	Ordinary Shares		Additional paid-in capital	Receipt on account of shares	Other comprehensive Loss	Accumulated deficit	Total shareholders' equity
	Number	Amount					
Balance as of January 1, 2012	9,987,777	$ 1,146	$ 107,572	-	$ (690)	$ (102,840)	$ 5,188
Exercise of warrants, rights and stock options	519,715	53	683	-	-	-	736
Tax benefit related to exercise of stock options	-	-	40	-	-	-	40
Stock-based compensation	-	-	736	-	-	-	736
Conversion of convertible debt	316,491	61	1,251	-	-	-	1,312
Exercise of rights related to convertible debt	95,947	10	36	-	-	-	46
Other comprehensive income	-	-	-	-	18	-	18
Net income	-	-	-	-	-	1,486	1,486
Balance as of December 31, 2012	10,919,930	1,270	110,318		(672)	(101,354)	9,562
Exercise of warrants and stock options	631,862	70	1,026	-	-	-	1,096
Tax benefit related to exercise of stock options	-	-	189	-	-	-	189
Stock-based compensation	-	-	746	-	-	-	746
Receipt on account of shares	-	-	-	81	-	-	81
Issuance of common shares, net of issuance expenses	2,852,000	323	17,633	-	-	-	17,956
Issuance of shares related to Hayes acquisition	123,500	14	1,032	-	-	-	1,046
Other comprehensive loss	-	-	-	-	51	-	51
Net loss	-	-	-	-	-	(629)	(629)
Balance as of December 31, 2013	14,527,292	1,677	130,944	81	(621)	(101,983)	30,098

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

	Ordinary Shares		Additional paid-in	Receipt on account	Other Comprehensive	Accumulated	Total shareholders'
	Number	Amount	capital	of shares	Loss	deficit	Equity
Balance as of December 31, 2013	14,527,292	$ 1,677	$ 130,944	$ 81	$ (621)	$ (101,983)	$ 30,098
Exercise of warrants and stock options	619,082	70	818	-	-	-	888
Tax benefit related to exercise of stock options	-	-	121	-	-	-	121
Stock-based compensation	-	-	1,489	-	-	-	1,489
Receipt on account of shares	167,842	19	62	(81)	-	-	-
Issuance of shares related to Hayes acquisition	61,500	6	497	-	-	-	503
Other comprehensive loss	-	-	-	-	(250)	-	(250)
Net loss	-	-	-	-	-	(1,692)	(1,692)
Balance as of December 31, 2014	15,375,716	$ 1,772	$ 133,931	$ -	$ (871)	$ (103,675)	$ 31,157

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,		
	2014	**2013**	**2012**
Cash flows from operating activities:			
Net income (loss)	$ (1,692)	$ (629)	$ 1,486
Adjustments required to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation	345	256	255
Loss from disposals of property and equipment	-	-	10
Stock-based compensation	1,489	746	736
Amortization of intangible assets	1,215	909	984
Accretion of payment obligation	682	95	265
Convertible debt inducement expenses	-	-	108
Changes in liabilities presented at fair value	(187)	363	706
Change in:			
Accrued severance pay, net	(46)	(14)	326
Trade receivables	(767)	(1,049)	(1,683)
Other accounts receivable and prepaid expenses	265	(226)	(165)
Other assets	(1)	4	(21)
Trade payables	(136)	115	(136)
Deferred revenues	1,674	10	(86)
Employees and payroll accruals	(187)	506	438
Accrued expenses and other current liabilities	782	(220)	(955)
Tax benefit related to exercise of stock options	(121)	(189)	(40)
Change in deferred taxes, net	(224)	(415)	(286)
Net cash provided by operating activities	3,091	262	1,942
Cash flows from investing activities:			
Purchase of property and equipment	(446)	(663)	(308)
Decrease (increase) in restricted cash	(430)	-	362
Cash paid in connection with acquisition, net of acquired cash (Note 3)	(748)	(4,163)	-
Net cash provided by (used in) investing activities	(1,624)	(4,826)	54

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,		
	2014	**2013**	**2012**
Cash flows from financing activities:			
Issuance of common shares, net of issuance expenses	-	17,956	-
Proceeds from exercise of warrants, rights and stock options	888	1,096	576
Receipts on account of shares	-	81	-
Repayment of long-term debt	-	-	(115)
Repayment of convertible debt	-	-	(138)
Payment of contingent consideration	-	(2,000)	-
Tax benefit related to exercise of stock options	121	189	40
Net cash provided by financing activities	1,009	17,322	363
Foreign currency translation adjustments on cash and cash equivalents	2	(55)	(65)
Increase in cash and cash equivalents	2,478	12,703	2,294
Cash and cash equivalents at the beginning of the year	16,481	3,778	1,484
Cash and cash equivalents at the end of the year	$ 18,959	$ 16,481	$ 3,778
Supplemental disclosure of cash flow activities:			
Cash paid during the year for:			
Interest	$ 5	$ 6	$ 225
Income taxes	$ 500	$ 426	$ 298
Supplemental disclosure of non-cash investing and financing activities:			
Issuance of shares related to acquisition	$ 503	$ 1,046	$ -
Liability presented at fair value allocated to equity	$ -	$ -	$ 1,410

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

NOTE 1:- GENERAL

Attunity Ltd. (the "Company" or "Attunity") and its subsidiaries develop, market, sell and support information availability software solutions that enable access, management, sharing and distribution of data, including Big Data, across heterogeneous enterprise platforms, organizations and the cloud. In addition, the Company provides maintenance and other related services for its products.

The Company has established wholly-owned subsidiaries in the United States, UK, Hong-Kong and Israel. The Company's subsidiaries are engaged primarily in sales and marketing.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"), followed on a consistent basis.

a. Use of estimates:

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The Company's management believes that the estimates, judgments and assumptions used are reasonable based upon information available at the time they are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. On an ongoing basis, the Company's management evaluates estimates, including those related to fair values and useful lives of intangible assets, tax assets and liabilities, fair values of stock-based awards, as well as certain financial instruments classified as liabilities. 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 assets and liabilities.

b. Financial statements in U.S. dollars ("dollars"):

A majority of the revenues of the Company and of certain of its subsidiaries is generated in dollars. In addition, a substantial portion of the Company's and certain subsidiaries' costs are denominated in dollars. Accordingly, the Company's management has determined that the dollar is the currency in the primary economic environment in which those companies operate. Thus, the functional and reporting currency of those companies is the dollar. Accordingly, monetary amounts denominated in a currency other than the functional currency are re-measured into the functional currency in accordance with Accounting Standards Codification ("ASC") No. 830, "Foreign Currency Matters," while all transaction gains and losses of the re-measured monetary balance sheet items are reflected in the statements of operations as financial income or expenses, as appropriate.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The financial statements of the Israeli and other foreign 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 loss component of shareholders' equity.

c. Principles of consolidation:

The consolidated financial statements include the accounts of the Company and its wholly-owned and majority-owned subsidiaries. Intercompany balances and transactions have been eliminated in consolidation.

d. Reclassifications:

Certain amounts in prior years' financial statements have been reclassified to conform to the current year's presentation. The reclassification had no effect on previously reported net income, cash flows or shareholders' equity.

e. Cash equivalents:

Cash equivalents are short-term highly liquid investments that are readily convertible to cash, with original maturities of three months or less, when purchased.

f. Restricted cash:

Restricted cash is primarily invested in short-term deposits to secure the Company's obligations under its Israeli office lease agreement.

g. Property and equipment, net:

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

	Percentage
Computers and peripheral equipment	20 – 33 (mainly 33)
Office furniture and equipment	10 – 20 (mainly 15)
Leasehold improvements	Over the shorter of the related lease period or the life of the asset

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

h. Goodwill and other intangible assets:

Goodwill reflects the excess of the purchase price of business acquired over the fair value of net assets acquired. Under ASC No. 350, "Intangibles – Goodwill and other" ("ASC No. 350"), goodwill is not amortized but instead is tested for impairment at least annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. In accordance with ASC No. 350, the Company performs an annual impairment test on October 31st of each year.

The Company operates in one operating segment and this segment comprises the only reporting unit. The Company tests goodwill using the two-step process in accordance with ASC No. 350. 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 goodwill 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. During the years ended December 31, 2014, 2013 and 2012, no impairment of goodwill has been identified.

The intangible assets of the Company are not considered to have an indefinite useful life and are amortized over their estimated useful lives. Intangible assets consist of core technology, customer relationships and non-competition agreements. Core technology and customer relationships are amortized over their estimated useful lives in proportion to the economic benefits realized. This accounting policy results in accelerated amortization of such assets as compared to the straight-line method. Non-competition agreements are amortized on a straight-line basis.

i. Impairment of long lived assets and intangible assets subject to amortization:

According to ASC No. 360, "Property, Plant and Equipment", the carrying amount of these assets to be held and used is reviewed whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability of these assets is measured by comparison of the carrying amount of each asset (or asset group) to the future undiscounted cash flows the asset (or asset group) is expected to generate. If the asset is considered to be impaired, the amount of any impairment is measured as the difference between the carrying value and the fair value of the impaired asset. During 2014, 2013 and 2012, no impairment losses were identified.

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

j. Business combinations:

The Company accounted for business combinations in accordance with ASC No. 805, "Business Combinations" ("ASC No. 805"). ASC No. 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 consolidated statements of operations. In addition, changes in valuation allowance related to acquired deferred tax assets and in acquired income tax position are to be recognized in consolidated statements of operations.

Acquisition related costs are expensed to the statement of operations in the period incurred.

k. Research and development costs:

Research and development costs are charged to the statement of operations as incurred. ASC No. 985-20, "Software - Costs of Software to Be Sold, Leased, or Marketed", requires capitalization of certain software development costs subsequent to the establishment of technological feasibility. Based on the Company's product development process, technological feasibility is established upon completion of a working model. Costs incurred by the Company between completion of the working models and the point at which the products are ready for general release, have been insignificant. Therefore, all research and development costs are expensed as incurred.

l. Income taxes:

The Company accounts for income taxes and uncertain tax positions in accordance with ASC No. 740, "Income Taxes" ("ASC No. 740"). ASC No. 740 prescribes the use of the liability method, whereby deferred tax asset and liability account balances are determined based on temporary differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company provides a valuation allowance, if necessary, to reduce deferred tax assets to amounts more likely than not to be realized.

Deferred tax liabilities and assets are classified as current or non-current based on the classification of the related asset or liability for financial reporting, or according to the expected reversal dates of the specific temporary differences if not related to an asset or liability for financial reporting.

ASC No. 740 contains a two-step approach to recognizing and measuring a liability for uncertain tax positions. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of available evidence indicates that it is more likely than not that, on an evaluation of the technical merits, the tax position will be sustained on audit, including resolution of any related appeals or litigation processes.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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 accrues interest and penalties related to unrecognized tax benefits in its taxes on income (income tax benefit).

m. Revenue recognition:

The Company generates revenues mainly from license fees and sublicense fees for the right to use its software products and maintenance, support, consulting and training services. The Company grants licenses to its products primarily through its direct sales force and indirectly through original equipment manufacturers ("OEMs"), distributors, resellers and value added resellers ("VARs"). Both the customers and the OEMs, distributors, resellers or VARs are considered to be end users. The Company is also entitled to consideration from some distributors and OEMs upon the sublicensing of the software to their end users.

The Company accounts for software sales in accordance with ASC No. 985-605, "Software Revenue Recognition" ("ASC No. 985-605"). Revenue from license fees and services are recognized when persuasive evidence of an arrangement exists, delivery of the product has occurred or the services have been rendered, the fee is fixed or determinable and collectability is probable. The Company usually does not grant a right of return to its customers.

As required by ASC No. 985-605, the Company determines the value of the software component of its multiple-element arrangements using the residual method when vendor specific objective evidence ("VSOE") of fair value exists for all the undelivered elements of the support and maintenance agreements or services included. VSOE is based on the price charged when an element is sold separately or renewed. Under the residual method, the fair value of the undelivered elements is deferred and the remaining portion of the arrangement fee is allocated to the delivered elements and is recognized as revenue.

Maintenance and support agreements provide customers with rights to unspecified software product updates, if and when available. These services grant the customers telephone access to technical support personnel during the term of the service. The Company recognizes maintenance and support services revenues ratably over the term of the agreement, typically one year.

Arrangements for the sale of software products that include consulting and training services are evaluated to determine whether those services are essential to the functionality of other delivered elements of the arrangement. The Company determined that these services are not considered essential to the functionality of other elements of the arrangement; therefore, these revenues are recognized as a separate element of the arrangement.

Revenues from royalties are recognized according to quarterly royalty reports received from the applicable distributors and OEMs. The Company is entitled to either a percentage of the distributor's or OEM's revenue from the combined product or to a percentage of the revenues of the product sold, as the case may be.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Service revenues are recognized as the services are performed.

Deferred revenue includes unearned amounts paid under maintenance and support contracts and amounts received from customers under license agreements but not recognized as revenues.

n. Cost of Revenues:

Cost of software licenses is comprised mainly of amortization of core technology acquired. Cost of maintenance and services is comprised mainly of post-sale customer support and professional services personnel.

o. Concentrations of credit risks:

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents, restricted cash and trade receivables.

Cash and cash equivalents and restricted cash are invested in major banks mainly in Israel and the United States. Such deposits in the United States may be in excess of insured limits and are not insured in other jurisdictions, such as Israel. Generally, these deposits may be redeemed upon demand and, therefore, bear low risk.

The Company's trade receivables are mainly derived from sales to customers located primarily in the United States, Europe and the Far East. The Company performs ongoing credit evaluations of its customers and, through December 31, 2014, has not experienced any material losses. An allowance for doubtful accounts is determined with respect to those amounts that the Company has determined to be doubtful of collection. There were no material bad debt expenses or write-offs recorded for the years ended December 31, 2014, 2013 and 2012.

p. Accounting for stock-based compensation:

The Company accounts for stock-based compensation in accordance with ASC No. 718, "Compensation - Stock Compensation" ("ASC No. 718"). ASC No. 718 is applicable for stock-based awards exchanged for employees' services and in certain circumstances for nonemployee directors. Pursuant to ASC No. 718, stock-based compensation cost is measured at the grant date, based on the fair value of the award, and is recognized as expense over the requisite service period. ASC No. 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.

ASC No. 718 requires the cash flows resulting from tax deductions in excess of the equity-based compensation costs recognized for those equity-based awards to be classified as financing cash flows. During the years ended December 31, 2014, 2013 and 2012, the Company classified $121, $189 and $40, respectively, of excess tax benefit from equity-based compensation as financing cash flows.

U.S. dollars in thousands, except share amounts and per share data

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Company selected the Black-Scholes option pricing model as the most appropriate fair value method for its stock-options awards. This option-pricing model requires a number of assumptions, of which the most significant are the expected stock price volatility and the expected option term. Expected volatility is calculated based upon actual historical stock price movements over the most recent periods ending on the grant date, equal to the expected option term. Expected option term is calculated based on the simplified method as adequate historical experience is not available to provide a reasonable estimate. The simplified method will continue to apply until enough historical experience is available to provide a reasonable estimate of the expected term. The risk-free interest rate is based on the yield from U.S. treasury bonds with an equivalent term to the expected life of the options. Historically, the Company has not paid dividends and in addition has no foreseeable plans to pay dividends, and therefore uses an expected dividend yield of zero in the option pricing model.

The Company applies ASC No. 505-50, "Equity-Based Payments to Non-Employees", with respect to options issued to non-employees.

The fair value for options granted in 2014, 2013 and 2012 is estimated at the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2014	2013	2012
Dividend yield	0%	0%	0%
Expected volatility	61%	69%	127%
Risk-free interest	1.24%	1.03%	0.56%
Expected life (in years)	4	4	4

The Company recognizes compensation expenses for the value of its awards based on 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.

q. Derivatives and hedging:

The Company accounts for derivatives and hedging based on ASC No. 815, "Derivatives and Hedging" ("ASC No. 815"). ASC No. 815 requires the Company to recognize all derivatives on the balance sheet at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

According to ASC No. 815, for derivative instruments that are designated and qualify as hedging instruments, the Company must designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge, cash flow hedge, or a hedge of a net investment in a foreign operation. If the derivatives meet the definition of a hedge and are so designated, depending on the nature of the hedge, changes in the fair value of such derivatives will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings, or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value is recognized in earnings.

The Company entered into forward and option contracts to hedge against the risk of overall changes in future cash flow from payments of payroll and related expenses denominated in New Israeli Shekels ("NIS"). These contracts were not designated as hedging instruments and as such gains or losses are recognized in "financial expenses, net". As of December 31, 2014 and 2013, the fair value of the Company's outstanding forward and option contracts amounted to $196 and $0, respectively, which is included within accrued expenses and other current liabilities in the balance sheet. The Company measured the fair value of these contracts in accordance with ASC No. 820, "Fair Value Measurements and Disclosures" ("ASC No. 820"), and they were classified as level 2. Net income (loss) from hedging transactions recognized in financial expenses, net during 2014, 2013 and 2012 was ($201), $21 and $53, respectively.

As of December 31, 2014 and 2013, the notional principal amount of the hedging contracts to sell U.S. dollars held by the Company was $6,300 and $0, respectively.

r. Basic and diluted net income (loss) per share:

Basic and diluted income (loss) per ordinary share are presented in conformity with ASC No. 260 "Earnings Per Share", for all years presented. Basic income (loss) per ordinary share is computed by dividing the net income (loss) for each reporting period by the weighted average number of ordinary shares outstanding during the period. Diluted income (loss) per ordinary share is computed by dividing the net income (loss) for each reporting period plus additional expense or income that would have been outstanding if potentially dilutive securities had been exercised during the period by the weighted average number of ordinary shares outstanding during the period plus any additional ordinary shares that would have been outstanding if potentially dilutive securities had been exercised during the period, calculated under the treasury stock method.

The total weighted average number of shares related to the outstanding stock options excluded from the calculation of diluted net loss per share due to their anti-dilutive effect was 1,888,768, 1,714,765 and 2,718,673 for the years ended December 31, 2014, 2013 and 2012, respectively.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

s. Severance pay:

The Company's liability for severance pay for employees located in Israel who have joined the Company before December 1, 2009 is calculated pursuant to Israel's Severance Pay Law, 1963 ("Severance Pay Law") based on the employees' most recent monthly salary multiplied by the number of years of employment, as of the balance sheet date. The Company's liability for all of these Israeli employees is partially provided by monthly deposits with a severance pay fund and insurance policies and, any unfunded amounts are covered by a provision established by the Company.

The carrying value of deposited funds in respect of severance liability for Israeli employees who joined the Company prior to December 1, 2009 includes profits or losses accumulated up to the balance sheet date. The deposited funds may be withdrawn only upon the fulfillment of the employee's obligation pursuant to the Severance Pay Law or employment agreements. The value of these policies is recorded as an asset in the Company's balance sheets.

The Company's agreements with employees in Israel who have joined the Company after December 1, 2009 are in accordance with Section 14 of the Severance Pay Law, pursuant to which the Company's contributions for severance pay fully cover its severance liability, i.e., upon contribution of the full amount of the employee's monthly salary for each year of service, no additional calculations is conducted between the parties regarding the matter of severance pay and no additional payments is made by the Company to the employee. Accordingly, such deposits and related obligations are not stated on the balance sheet, as the Company is legally released from obligation to employees once the deposit amounts have been paid.

Severance pay expense for the years ended December 31, 2014, 2013 and 2012 amounted to $ 594, $ 423 and $ 730, respectively.

t. Fair value of financial instruments:

The Company applies ASC No. 820, pursuant to which fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Company uses various valuation approaches. ASC No. 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 the asset or liability developed based on market data obtained from sources independent of the Company.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Unobservable inputs are inputs that reflect the Company's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The hierarchy is broken down into three levels based on the inputs as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2 - Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The carrying amounts of cash and cash equivalents, restricted cash, trade receivables, trade payables, employees and payroll accruals, accrued expenses and other current liabilities approximate their fair values due to the short-term maturity of these instruments.

u. Comprehensive income (loss):

The Company accounts for comprehensive income (loss) in accordance with ASC No. 220, "Comprehensive Income." This statement establishes standards for the reporting and display of comprehensive income (loss) and its components in a full set of general purpose financial statements. Comprehensive income (loss) 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 only item of comprehensive income (loss) relates to foreign currency translation adjustment.

v. Impact of recently issued accounting standard not yet adopted:

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-09, "Revenue from Contracts with Customers" ("ASU 2014-09"). ASU 2014-09 supersedes the revenue recognition requirements in "Revenue Recognition (Topic 605)", and requires an entity 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. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is not permitted. 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. On November 14, 2014, the Company acquired the technology and certain related assets of BIReady B.V., a Netherlands-based developer of data warehouse automation technology, for EUR 600,000 (approximately $748) in cash, approximately 31,900 ordinary shares of the Company (recorded for total fair value of $224) which will be held-back to secure indemnity claims and will be issued on November 14, 2015 and an earnout potential of up to EUR 300,000 (approximately $374) in cash over 2015 and 2016. In connection with this contingent payment consideration, the Company initially recorded at the closing date, an estimated liability of $300 ($300 as of December 31, 2014). The acquisition is accounted for as business combination under ASC No. 805. The total purchase price was allocated to core technology based on its estimated fair value in the amount of $1,272, which is amortized on a straight line basis over 5 years. With respect to this acquisition, transaction costs were immaterial and pro forma information was not presented due to immateriality.

b. On December 18, 2013, the Company completed, through the Company's wholly owned subsidiary, Attunity Inc., the acquisition of 100% of the shares of Hayes Technology Group, Inc. ("Hayes"), a U.S.-based provider of data replication software solutions for SAP environments. The results of operations of Hayes are included in the consolidated financial statements from the closing date. Under the related acquisition agreement, the total consideration is composed as follows:

- $4,500 in cash paid on the closing date;
- 185,000 ordinary shares of the Company for total fair value of $1,547, out of which 123,500 shares were issued on the closing date and 61,500 shares were held-back to secure indemnity claims and issued on December 18, 2014. The held-back shares were recorded at fair market value of $503 under purchase obligations and were classified to equity upon issuance of the shares; and
- Milestone-based contingent payments in a total of up to $4,200, out of which up to $2,100 is payable in 2015 and up to $2,100 is payable in 2016. The contingent payments are payable pro-rata, provided that at least 75% of the applicable milestone target is met and have a catch-up mechanism in 2015. This contingent payment consideration was measured at fair value at the closing date and recorded as a liability on the balance sheet in the amount of $3,251 ($3,962 as of December 31, 2014). Accretion of the contingent consideration liability is included in financial expenses, net.

In addition, the Company incurred acquisition related costs in a total amount of $505, which are included in general and administrative expenses for the year 2013. Acquisition related costs include legal, accounting fees and other external costs directly related to the acquisition.

The main reason for this acquisition was to penetrate into the large SAP markets and leverage the synergy of the technologies of both companies and to benefit from a wider customer base. Accordingly, a significant amount of the acquisition consideration was recorded as goodwill due to the synergies with Hayes.

U.S. dollars in thousands, except share amounts and per share data

NOTE 3:- ACQUISITIONS (Cont.)

Purchase price allocation:

Under business combination accounting, the total purchase price was allocated to Hayes' 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.

Net assets (including cash of $337)	$	733
Deferred revenues		(366)
Intangible assets		4,384
Goodwill		4,547
Total purchase price	$	9,298

In performing the purchase price allocation, the Company considered, among other factors, analysis of historical financial performance, highest and best use of the acquired assets and estimates of future performance of Hayes' products. In its allocation, the Company also considered the fair value of intangible assets based on a market participant approach to valuation performed by a third party valuation firm using an income approach and estimates and assumptions provided by management. The following table sets forth the components of intangible assets associated with the Hayes acquisition:

		Fair value
Core technology (1)	$	3,596
Customer relationships (2)		564
Non-Competition agreement (3)		224
Total intangible assets	$	4,384

(1) Core technology represents a combination of Hayes processes and trade secrets related to the design and development of its products. This proprietary know-how can be leveraged to develop new technology and improve the Company products and is amortized over 6 years using the accelerated method.

(2) Customer relationships represent the underlying relationships and agreements with Hayes' installed customer base and are amortized over 9 years using the accelerated method.

(3) The amount assigned to the non-competition agreement relates to the non-competition agreement that the Company entered into with the founder of Hayes for a period of 4 years, which is amortized on a straight line basis over four years.

U.S. dollars in thousands, except share amounts and per share data

NOTE 3:- ACQUISITIONS (Cont.)

The following unaudited condensed combined pro forma information for the years ended December 31, 2013 and 2012, gives effect to the acquisition of Hayes as if the acquisition had occurred on January 1, 2012. 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 includes additional amortization of intangible assets related to the acquisition of $1,109 and $707 in 2013 and 2012, respectively, and related tax effects.

	Year ended December 31,	
	2013	2012
	Unaudited	
Revenues	$ 28,381	$ 29,030
Net loss	$ (1,240)	$ (320)
Basic and diluted loss per share	$ (0.11)	$ (0.03)

NOTE 4:- PROPERTY AND EQUIPMENT, NET

	December 31,	
	2014	2013
Cost:		
Computers and peripheral equipment	$ 3,322	$ 3,022
Office furniture and equipment	608	492
Leasehold improvements	782	752
	4,712	4,266
Accumulated depreciation	3,732	3,387
Property and equipment, net	$ 980	$ 879

As for charges on the Company’s property and equipment, see Note 8.

U.S. dollars in thousands, except share amounts and per share data

NOTE 5:- GOODWILL AND OTHER INTANGIBLE ASSETS, NET

a. Goodwill:

Changes in goodwill during the years ended December 31, 2014 and 2013 are as follows:

	December 31,	
	2014	2013
Goodwill, beginning of year	$ 17,748	$ 13,094
Revaluation (foreign currency exchange differences)	(281)	107
Acquisition of Hayes	-	4,547
Goodwill, end of year	$ 17,467	$ 17,748

b. Other intangible assets, net:

Net other intangible assets consisted of the following:

	December 31,	
	2014	2013
Original amount:		
Core technology	$ 7,034	$ 5,762
Customer relationships	1,599	1,599
Non-competition agreement	224	224
	8,857	7,585
Accumulated amortization:		
Core technology	2,315	1,426
Customer relationships	1,084	814
Non-competition agreement	56	-
	3,455	2,240
Other intangible assets ,net:		
Core technology	4,719	4,336
Customer relationships	515	785
Non-competition agreement	168	224
	$ 5,402	$ 5,345

The estimated future amortization expense of other intangible assets as of December 31, 2014 for the years ending:

Year ending December 31,	
2015	$ 1,749
2016	1,422
2017	1,073
2018	670
Thereafter	488
	$ 5,402

NOTE 6:- LIABILITY PRESENTED AT FAIR VALUE

The Company entered into a Loan Agreement with Plenus Technologies Ltd. ("Plenus" or the "Lender"), dated January 31, 2007 (as amended on March 30, 2009 and September 4, 2011, the "Loan Agreement"). According to the Loan Agreement if, during the period between March 19, 2009 and December 31, 2017, the Company enters into a "Fundamental Transaction" (which is defined in the Loan Agreement to include (i) the acquisition of the Company by means of a merger or other form of corporate reorganization in which 50% or more of the outstanding shares is exchanged for securities or other consideration issued or paid by the acquiring entity, (ii) the sale of all or substantially all of the assets of the Company, or (iii) a transaction or a series of transactions in which a person or entity acquires more than 50% of the outstanding shares of the Company), then the Lender shall be entitled to the following: (i) in the cases of merger or acquisition of shares, an amount equal to 15% of the aggregate proceeds payable in connection with such Fundamental Transaction to the shareholders, or (ii) in the case of the sale of substantially all of the Company's assets, an amount equal to 15% of the aggregate proceeds payable to the Company in connection with such Fundamental Transaction; the "aggregate proceeds" shall be calculated while subtracting any amount of debts, liabilities and obligations which have accrued prior to the closing of such Fundamental Transaction and have not been assumed by the purchaser in such Fundamental Transaction. During such period, the Lender may elect to receive $300 in cash in lieu of such compensation.

The Company accounted for the above mentioned compensation in accordance with ASC 815-40, based on which the above was considered as a derivative and recorded as a liability on the balance sheet and is marked to market at each reporting period. The fair value of this derivative was based on valuation using a Binomial Model for options valuation based on assumptions provided by management. The Company classified the fair value of this derivative as level 3.

NOTE 7:- CONVERTIBLE DEBT

In April 2004, the Company issued to a group of investors interest-bearing convertible notes in the face amount of $2,000, initially repayable after five years (as amended and extended from time to time, the "Convertible Notes"). The conversion price of the Convertible Notes was adjusted from time to time. The Company recorded a bifurcated conversion feature embedded in the convertible debt, and marked it to market based on its fair value each reporting period.

During the year ended December 31, 2012, the Convertible Notes then outstanding were converted into ordinary shares of the Company and the outstanding associated bifurcated conversion feature was accordingly allocated to equity. As of December 31, 2013, substantially all of the principal amount and accrued interest were repaid in full by way of conversion of the Convertible Notes into ordinary shares.

In accordance with ASC No. 470-20-40-16, "Debt with conversion and other options", the Company recognized inducement expense of $108 in 2012, against additional paid-in-capital, related to the conversion.

The holders of the Convertible Notes also exercised their rights to acquire an aggregate of 39,407 additional ordinary shares at $0.48 per share during 2012.

U.S. dollars in thousands, except share amounts and per share data

NOTE 8:- CHARGES (ASSETS PLEDGED)

a. As collateral for certain liabilities of the Company to others, fixed charges have been recorded on certain equipment of the Company.

b. The Company has an outstanding bank guarantee in the amount of $430 to its Israeli office lessor to secure its obligations under the office lease agreement.

NOTE 9:- COMMITMENTS AND CONTINGENT LIABILITIES

a. Lease commitments:

The Company leases its operating facilities under non-cancelable operating lease agreements, which expire on various dates, the latest of which is in June 2019. In addition, the Company leases computers and motor vehicles under non-cancelable operating leases. Future minimum commitments under these leases as of December 31, 2014, are as follows:

Year ended December 31,	Operating Leases
2015	$ 1,414
2016	1,139
2017	1,042
2018	543
2019 and after	177
	$ 4,315

b. Rent expenses under facilities operating leases for the years ended December 31, 2014, 2013 and 2012 were (net of sublease income in the amount of $0, $0 and $30, respectively) $1,146, $850 and $663, respectively.

NOTE 10:- SHAREHOLDERS' EQUITY

a. On November 26, 2013, the Company closed a firm commitment underwritten public offering of 2,852,000 ordinary shares (including 372,000 ordinary shares issued to the underwriter upon full exercise of its over-allotment option), at a public offering price of $7.00 per share. The net proceeds for the Company were approximately $18,000.

b. The ordinary shares confer upon the holders the right to receive notice to participate and vote in general meetings of the Company, and the right to receive dividends, if declared.

U.S. dollars in thousands, except share amounts and per share data

NOTE 10:- SHAREHOLDERS' EQUITY (Cont.)

c. Stock Option Plans:

Under the Company's 2001 Stock Option Plan and 2003 Israeli Stock Option, the Company has granted options to purchase ordinary shares to employees, directors and officers as an incentive to attract and retain qualified personnel. The 2001 plan does not have a specific expiration date whereas the 2003 plan was terminated in December 2013.

In December 2012, the Company adopted the 2012 Stock Incentive Plan (together with the 2001 and 2003 plans, the "Plans"), under which stock options as well as other equity-based awards, including restricted stock units and performance units, may be granted to employees, directors and consultants of the Company or its affiliates. The 2012 Stock Incentive Plan has a term of ten years and will terminate in December 2022.

In general, the exercise price of options granted under the Plans may not be less than 100% (110% in the case of a 10% shareholder) of the fair market value of the Company's ordinary shares on the date of grant for incentive stock options and 75% of the fair market for non-qualified options. Under the terms of the Plans, options generally become exercisable ratably over three years of employment, commencing with the date of grant or with the date of hire (for new employees at their first grant). The options generally expire no later than 6 years from the date of the grant, and are non-transferable, except under the laws of succession.

Under the Plans, 3,250,625 ordinary shares of the Company were reserved for issuance. Any options that are canceled or forfeited before expiration become available for future grants. As of December 31, 2014, there were 50,845 options available for future grants. In January 2015, the Company's Board of Directors approved an increase of 50,000 shares of the Company reserved for issuance under the Plans.

Upon exercise of options by employees, directors and contractors, the Company issues ordinary shares for each option exercised.

The following is a summary of the Company's stock options granted under the Plans:

	Year ended December 31, 2014		
	Number of options (thousands)	Weighted average exercise price (per share)	Aggregate intrinsic value (1)
Outstanding at beginning of year	1,715	$ 3.47	$ 11,809
Granted	810	10.11	
Exercised	(540)	(1.57)	
Forfeited	(96)	(9.97)	
Outstanding at end of year	$ 1,889	$ 6.53	$ 8,148
Vested and expected to vest at end of year	$ 1,792	$ 6.36	$ 8,027
Exercisable at end of year	$ 897	$ 3.22	$ 6,757

(1) Calculation of aggregate intrinsic value for options outstanding and exercisable is based on the share price of the Company's ordinary shares as of December 31, 2014 which was $10.75 per share.

U.S. dollars in thousands, except share amounts and per share data

NOTE 10:- SHAREHOLDERS' EQUITY (Cont.)

The total intrinsic value of options exercised for the years ended, December 31, 2014, 2013 and 2012 was $2,881, $1,244 and $1,170, respectively.

As of December 31, 2014, there was $3,506 of total unrecognized compensation cost related to non-vested share-based compensation that are expected to be recognized over a period of up to three years.

The options outstanding as of December 31, 2014, have been separated into ranges of exercise price per share as follows:

	Outstanding			Exercisable		
Exercise price	Number outstanding (thousands)	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable (thousands)	Weighted average remaining contractual life (years)	Weighted average exercise price
$			$			$
$ 0.48 - $1.52	237	0.85	1.16	237	0.85	1.16
$ 2.00 - $3.44	556	2.69	2.86	538	2.67	2.85
$ 5.68 - $7.81	205	5.34	6.87	15	4.30	6.03
$ 8.04 - $9.87	378	5.30	9.14	74	4.41	8.72
$ 10.03 - $11.32	513	5.28	10.95	33	4.92	10.37
	1,889	3.97	$ 6.53	897	2.44	$ 3.22

The allocation of the stock-based compensation is as follows:

	Year ended December 31,		
	2014	2013	2012
Research and development	$ 440	$ 237	$ 306
Selling and marketing	636	325	241
General and administrative	413	184	189
Total stock-based compensation	1,489	746	736

d. Warrants:

As of December 31, 2014, there were outstanding warrants to purchase an aggregate of 27,582 ordinary shares at an exercise price of $0.48 per share, which expire on various dates until July 29, 2015.

During 2014, 78,828 warrants were exercised for proceeds of $38.

U.S. dollars in thousands, except share amounts and per share data

NOTE 11:- INCOME TAXES

a. Taxes on income (Income tax benefits) are comprised as follows:

	Year ended December 31,		
	2014	2013	2012
Deferred tax benefit	$ (224)	$ (432)	$ (321)
Current taxes	958	376	112
	$ 734	$ (56)	$ (209)
Domestic	$ 140	$ (6)	$ 201
Foreign	594	(50)	(410)
	$ 734	$ (56)	$ (209)
Domestic taxes:			
Current	$ 140	$ (6)	$ 201
Deferred	-	-	-
	140	(6)	201
Foreign taxes:			
Current	818	382	(89)
Deferred	(224)	(432)	(321)
	594	(50)	(410)
Income taxes (income tax benefits)	$ 734	$ (56)	$ (209)

The components of income (loss) before taxes on income attributable to domestic and foreign operations are as follows:

	Year ended December 31,		
	2014	2013	2012
Domestic	$ (2,540)	$ (688)	$ 1,147
Foreign	1,582	3	130
	$ (958)	$ (685)	$ 1,277

U.S. dollars in thousands, except share amounts and per share data

NOTE 11:- INCOME TAXES (Cont.)

b. 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 operations is as follows:

	December 31,		
	2014	2013	2012
Income (loss) before taxes, as reported in the consolidated statements of income	$ (958)	$ (685)	$ 1,277
Statutory tax rate	26.5%	25%	25%
Theoretical tax expense (benefit) on the above amount at the Israeli statutory tax rate	$ (254)	$ (171)	$ 319
Tax adjustment in respect of different tax rate of foreign subsidiaries	112	(6)	21
Non-deductible expenses and other permanent differences	496	226	233
Losses and timing differences for which valuation allowance was provided	288	760	934
Utilization of tax losses for which valuation allowance was provided for in prior years	(52)	(816)	(1,538)
Other	144	(49)	(178)
Actual taxes on income (income tax benefit)	$ 734	$ (56)	$ (209)

c. Israeli taxation:

Taxable income of the Israeli companies is subject to the Israeli corporate tax at the rate as follows: 2012 - 25%, 2013 – 25%, 2014 – 26.5%.

The Company and its Israeli subsidiaries have not received final tax assessments since incorporation. However, in accordance with the Israeli tax laws, tax returns submitted up to and including the 2010 tax year can be regarded as final.

Tax loss carryforward:

The Company's tax loss carryforwards were approximately $41,600 as of December 31, 2014. Such losses can be carried forward indefinitely to offset future taxable income of the Company.

d. Income taxes of non-Israeli subsidiaries:

Non-Israeli subsidiaries are taxed according to the tax laws in their respective countries of residence.

The U.S. tax returns of Attunity Inc. and RepliWeb Inc. remain subject to examination by the U.S. tax authorities for the tax years 2011-2013 and 2008-2013, respectively.

U.S. dollars in thousands, except share amounts and per share data

NOTE 11:- INCOME TAXES (Cont.)

e. 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. Significant components of the Company's deferred tax liabilities and assets are as follows:

	December 31,	
	2014	2013
Net operating loss carry forwards	$ 12,590	$ 11,645
Temporary differences related to research and development expenses	1,865	1,631
Temporary differences related to accrued employee costs	378	590
Deferred revenue and other	706	554
Total deferred tax asset before valuation allowance	15,539	14,420
Less - valuation allowance	(14,834)	(13,836)
Deferred tax asset	705	584
Deferred tax liability - Intangible assets and other	(68)	(171)
Deferred tax assets, net	$ 637	$ 413
Domestic	-	-
Foreign:		
Current deferred tax asset, net	181	148
Non-current deferred tax asset, net	456	265
	637	413
	$ 637	$ 413

Current deferred tax asset is included within other current accounts receivable and prepaid expenses on the balance sheet. Non-current deferred tax asset, net is included within other assets on the balance sheet.

The Company has provided valuation allowances in respect of deferred tax assets resulting from tax loss carry forwards and other temporary differences in Israel and in several of its subsidiaries. Management currently believes that since the Company has a history of losses it is more likely than not that the deferred tax regarding the loss carry forwards and other temporary differences will not be realized in the foreseeable future.

The net change in the valuation allowance primarily relates to increase in deferred taxes on net operating losses for which full valuation allowance was recorded.

U.S. dollars in thousands, except share amounts and per share data

NOTE 11:- INCOME TAXES (Cont.)

ASC No. 718 prohibits recognition of a deferred tax asset for excess tax benefits due to stock option exercises that have not yet been realized through a reduction in income tax payable. All net operating loss carry forwards relate to excess tax deductions from stock options which have not yet been realized. Such unrecognized deferred tax benefits will be accounted for as a credit to additional paid-in-capital, if and when realized.

f. Accounting for uncertainty in income taxes:

A reconciliation of the beginning and ending amount of unrecognized tax benefits related to uncertain tax positions is as follows:

	December 31,	
	2014	2013
Opening balance	$ 103	$ 201
Additions for prior years' tax position	10	26
Reduction of prior years' tax position due to lapse of statute of limitation	(20)	(124)
Closing balance	$ 93	$ 103
Included in accrued expenses and other current liabilities	$ 39	$ 21
Included in other long term liabilities	$ 54	$ 82

As of December 31, 2014, the entire amount of the unrecognized tax benefits could affect the Company's income tax provision and the effective tax rate.

During the years ended December 31, 2014 and 2013, the Company recorded $10 and $26 for interest expense related to uncertain tax positions, respectively. As of December 31, 2014 and 2013, the Company had accrued interest liability related to uncertain tax positions in the amounts of $39 and $48, respectively, which is included in the liability balance. In the next 12 months, the statute of limitations with respect to the 2010 tax year will lapse, which will impact the unrecognized tax position liability balance with respect to the 2010 tax year.

The Company believes that it has adequately provided for any reasonably foreseeable outcomes related to tax audits and settlement. However, 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.

U.S. dollars in thousands, except share amounts and per share data

NOTE 12:- ENTITY-WIDE DISCLOSURES

Revenues by geographical areas were as follows:

	Year ended December 31,		
	2014	2013	2012
North America	$ 25,993	$ 17,529	$ 16,568
Europe	6,085	4,322	4,932
Far East	1,532	1,774	1,478
Israel	817	761	948
Other	1,225	811	1,553
	$ 35,652	$ 25,197	$ 25,479

For the years ended December 31, 2014 and 2013, no single customer accounted more than 10% of the Company's total revenues. For the year ended December 31, 2012, one of the Company's OEM partners accounted for approximately 10.9% of its revenues.

All of the Company's long-lived assets are located in Israel apart for assets in insignificant amounts which are located elsewhere.

NOTE 13:- FINANCIAL EXPENSE, NET

	Year ended December 31,		
	2014	2013	2012
Financial income:			
Interest	$ (19)	$ (1)	$ (2)
Revaluation of liabilities presented at fair value	(187)	-	-
Hedging	-	(21)	(53)
	(206)	(22)	(55)
Financial expenses:			
Interest and bank charges	124	45	124
Hedging	201	-	-
Exchange rate differences, net	92	146	94
Revaluation of liabilities presented at fair value	-	363	705
Convertible debt inducement expenses	-	-	108
Accretion of contingent payment obligations	682	95	265
	1,099	649	1,296
	$ 893	$ 627	$ 1,241

NOTE 14:- SUBSEQUENT EVENTS

On March 18, 2015, the Company completed, through the Company's wholly owned subsidiary, Attunity Inc., the acquisition of 100% of the shares of Appfluent Technology, Inc. ("Appfluent"), a U.S.-based provider of data usage analytics for Big Data environments, including data warehousing and Hadoop.

Under the related acquisition agreement, the total consideration is composed of:

- $10,950 paid in cash on the closing date (subject to working capital adjustments), of which $1,100 is being held in escrow for one year following the closing date;
- $5,650 which was payable in ordinary shares of the Company, reflecting a $9.71 price per share (the "PPS"), such that the Company issued, on the closing date, approximately 582,000 ordinary shares of the Company;
- $1,400 which is payable in ordinary shares of the Company based on the PPS, such that approximately 144,000 ordinary shares of the Company were held-back to secure indemnity claims and the Company will issue them in September 2016; and
- milestone-based contingent payments in a total amount of up to $31,500 which, if earned, are payable in 2016 and 2017.

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.

ATTUNITY LTD

By: /s/ Shimon Alon
Shimon Alon
Chairman and Chief Executive Officer

Dated: April 14, 2015

Exhibit 4.11

IMPORTANT NOTE: This Agreement and Plan of Merger (the "Merger Agreement") has been included to provide investors with information regarding its terms. It is not intended to provide any other factual information about Attunity (including Appfluent). The representations, warranties, covenants and agreements contained in the Merger 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 Merger Agreement. The representations and warranties 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 the Merger Agreement and should not rely on the representations, warranties, covenants and agreements or any descriptions thereof as characterizations of the actual state of facts or condition of Attunity, any other party to the Merger 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 Merger Agreement, which subsequent information may or may not be fully reflected in Attunity's public disclosures.

AGREEMENT AND PLAN OF MERGER

BY AND AMONG

ATTUNITY LTD.,

ATTUNITY INC.,

ATLAS ACQUISITION SUB 1, LLC,

ATLAS ACQUISITION SUB 2, LLC,

APPFLUENT TECHNOLOGY, INC.

AND

FRANK GELBART, AS STOCKHOLDERS' REPRESENTATIVE

DATED AS OF MARCH 5, 2015

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INDEX OF EXHIBITS

AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER, dated as of March 5, 2015 (this "Agreement"), by and among Attunity Ltd., a company organized under the laws of the State of Israel ("Parent"), Attunity Inc., a corporation organized under the laws of the State of Massachusetts and a wholly owned subsidiary of Parent ("Buyer"), Atlas Acquisition Sub 1, LLC, a limited liability company organized under the laws of the State of Delaware and a wholly owned subsidiary of Buyer ("Merger Sub 1"), Atlas Acquisition Sub 2, LLC, a limited liability company organized under the laws of the State of Delaware and a wholly owned subsidiary of Buyer ("Merger Sub 2" and together with Merger Sub 1, "Merger Subs"), Appfluent Technology, Inc., a corporation organized under the laws of the State of Delaware (the "Company") and Frank Gelbart, as the Stockholders' Representative.

W I T N E S S E T H:

WHEREAS, the respective Boards of Directors of Parent, Buyer, Merger Sub 1, Merger Sub 2, and the Company have (a) determined that the merger of Merger Sub 1 with and into the Company, with the Company surviving ("Merger 1"), followed immediately thereafter by the merger of the Company with and into Merger Sub 2, with Merger Sub 2 surviving ("Merger 2"), on the terms and subject to the conditions set forth in this Agreement (Merger 1 and Merger 2, collectively, 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 Subs, recommended acceptance of the Merger and approval and adoption of this Agreement to its respective stockholders, in accordance with the applicable provisions of the Delaware General Corporation Law, as amended (the "DGCL") and the Delaware Limited Liability Company Act (the "LLC Act");

WHEREAS, as a condition and inducement to the willingness of Parent, Buyer and Merger Subs to enter into this Agreement, holders of at least 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 all of the outstanding shares of Company Preferred Stock and holders of a majority of all of the outstanding shares of Company Common Stock (the "Principal Stockholders"), have indicated that they expect to deliver, following the approval and adoption of this Agreement by the Company Board and immediately following the execution and delivery of this Agreement, (a) their irrevocable approval and adoption of this Agreement, the Merger and the other transactions contemplated hereby in accordance with the provisions of the DGCL, the LLC Act and the Company's Organizational Documents, including a waiver of appraisal rights under the DGCL, substantially in the form attached hereto as Exhibit A (the "Stockholders Written Consent"); (b) specified undertakings and representations (which, in the case of Principal Stockholders who are also Key Employees, also include non-competition and non-solicitation undertakings), in each case pursuant to a support agreement, substantially in the form attached hereto as Exhibit B (the "Stockholder Support Agreement"), each signed and dated as of the date hereof by such Company Stockholders, pursuant to and in accordance with the applicable provisions of the DGCL, the LLC Act and the Company's Organizational Documents; and (c) their completed and executed Investor Representation Statement, substantially in the form attached hereto as Exhibit C (the "Investor Representation Statement") seeking to establish whether any such holders of Company Capital Stock is an "accredited investor" within the meaning of Rule 501 under Regulation D promulgated under the Securities Act of 1933, as amended (the "Securities Act") (each holder of Company Capital Stock who proves to Parent, at Parent's reasonable belief, that it qualifies as an "accredited investor", shall be referred to herein as a "Company Accredited Investor");

WHEREAS, as a condition and inducement to the willingness of Parent, Buyer and Merger Subs to enter into this Agreement, the number of Company Equityholders (excluding the Company Accredited Investors) who will be entitled to receive the Parent Ordinary Shares in accordance with this Agreement, will (as proven to Parent, at Parent's reasonable belief) not exceed thirty five (35);

WHEREAS, as a condition and inducement to the willingness of Parent, Buyer and Merger Subs to enter into this Agreement, at or prior to the execution and delivery of this Agreement, each employee of the Company listed on Section 1.1 of the Company Disclosure Schedule (each, a "Key Employee") has executed and delivered to Buyer an employment agreement (the "Key Employees Agreement") with Buyer, including (i) a proprietary information, inventions assignment, non-competition and non-solicitation agreement, and (ii) a retention agreement (the "Key Employees Retention Agreement"), in each case, to become effective upon the Closing;

WHEREAS, immediately after the Merger 1, Buyer shall cause the Company to merge with and into Merger Sub 2 that is wholly owned by Buyer and that is disregarded as a separate entity for U.S. federal income tax purposes; and

WHEREAS, the parties intend that the Merger will constitute a "reorganization" within the meaning of Section 368(a) of the Code that is not subject to application of Section 367(a)(1) by reason of Treasury Regulation Section 1.367(a)-3;

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants and agreements set forth herein, and other valuable consideration, the sufficiency and receipt of which is hereby acknowledged, and intending to be legally bound hereby, Parent, Buyer, Merger Sub 1, Merger Sub 2, the Company and the Stockholders' Representative (each, a "Party" and collectively, the "Parties"), agree as follows:

ARTICLE I

The Merger

Section 1.1 The Merger. At the Effective Time and on the terms and subject to the conditions set forth this Agreement, and in accordance with the applicable provisions of the DGCL and the LLC Act, Merger Sub 1 shall be merged with and into the Company, the separate corporate existence of Merger Sub 1 shall cease and the Company shall continue as the surviving entity of the Merger 1 as a wholly owned subsidiary of Buyer. The Company, as the surviving entity after Merger 1, is hereinafter sometimes referred to as the "Interim Surviving Entity." Immediately after the Effective Time, at the Second Effective Time, and in accordance with the applicable provisions of the DGCL and the LLC Act, the Interim Surviving Entity shall be merged with and into Merger Sub 2, the separate corporate existence of the Interim Surviving Entity shall cease and Merger Sub 2 shall continue as the surviving entity of Merger 2 as a wholly owned subsidiary of Buyer. Merger Sub 2, as the surviving entity after Merger 2, is hereinafter sometimes referred to as the "Surviving Entity."

Section 1.2 Closing. On the terms and subject to the conditions set forth in this Agreement, the closing of the Merger (the "Closing") shall take place at 10:00 a.m., EST, on a date to be specified by Parent, Buyer and the Company, which shall be no later than the second (2nd) Business Day after satisfaction or waiver (by the applicable Party) of all of the conditions set forth in Article V of this Agreement (other than the conditions which, by their nature, are intended to be satisfied at the Closing, but subject to the satisfaction or waiver by the applicable Party of those conditions at the Closing) (the "Closing Date"), at the offices of Parent U.S. Counsel, in New York, NY, or such other time, date or place as agreed to in writing by Parent, Buyer and the Company. All deliveries to be made or other actions to be taken at the Closing shall be deemed to occur simultaneously, and no such delivery or action shall be deemed complete until all such deliveries and actions have been completed or the relevant Parties have agreed to waive such delivery or action.

Section 1.3 Effective Time. On the terms and subject to the conditions set forth in Article V of this Agreement, the Parties hereto shall cause the certificates of merger to be filed with the Secretary of State of the State of Delaware (each a "Certificate of Merger" and together the "Certificates of Merger"). The Parties hereto shall make all other filings, recordings or publications required by all applicable Legal Requirements in connection with Merger 1 and Merger 2. Merger 1 shall become effective upon the filing of the Certificate of Merger with the Secretary of State of the State of Delaware pursuant to the DGCL and the LLC Act or at such later time as shall be agreed upon in writing by Parent, Buyer and the Company and specified in the Certificate of Merger (the "Effective Time"), which specified time shall be a time on the Closing Date. Merger 2 shall become effective upon the filing of the Certificate of Merger with the Secretary of State of the State of Delaware pursuant to the DGCL and the LLC Act or at such later time as shall be agreed upon in writing by Parent and the Company and specified in the Certificate of Merger (the "Second Effective Time"), which specified time shall be immediately following the Effective Time.

Section 1.4 Effect of the Merger. At the Effective Time, the effect of the Merger 1 shall be as provided in this Agreement, the applicable Certificate of Merger and the applicable provisions of the DGCL and the LLC Act; and, without limiting the generality of the foregoing, and subject thereto, at the Effective Time all the assets, property, rights, privileges, powers and franchises of the Company and Merger Sub 1 shall vest in the Interim Surviving Entity, and all debts, Liabilities, restrictions, disabilities and duties of the Company and Merger Sub 1 shall become the debts, Liabilities, restrictions, disabilities and duties of the Interim Surviving Entity. At the Second Effective Time, the effect of the Merger 2 shall be as provided in this Agreement, the applicable Certificate of Merger and the applicable provisions of the DGCL and the LLC Act; and, without limiting the generality of the foregoing, and subject thereto, at the Second Effective Time all the assets, property, rights, privileges, powers and franchises of the Interim Surviving Entity and Merger Sub 2 shall vest in the Surviving Entity, and all debts, Liabilities, restrictions, disabilities and duties of the Interim Surviving Entity and Merger Sub 2 shall become the debts, Liabilities, restrictions, disabilities and duties of the Surviving Entity.

Section 1.5 Organizational Documents. Unless otherwise directed by Parent and Buyer prior to Closing, at the Effective Time, and without any further action on the part of the Company or Merger Sub 1, the certificate of incorporation, as amended, of the Interim Surviving Entity shall be amended and restated in its entirety to be identical to the certificate of incorporation of the Company, as in effect immediately prior to the Effective Time, until thereafter amended in accordance with the DGCL and as provided in such certificate of incorporation. Unless otherwise directed by Parent and Buyer prior to Closing, at the Second Effective Time, and without any further action on the part of the Interim Surviving Entity or Merger Sub 2, the operating agreement of the Surviving Entity shall be amended and restated in its entirety to be identical to the operating agreement of Merger Sub 2, as in effect immediately prior to the Second Effective Time, until thereafter amended in accordance with the LLC Act and as provided in such operating agreement, except that references to Merger Sub 2's name shall be replaced by references to "Appfluent Technology."

Section 1.6 Directors and Officers of the Surviving Entity. At the Effective Time, and unless otherwise directed by Parent and Buyer prior to Closing, (i) the directors of Merger Sub 1 immediately prior to the Effective Time shall be the directors of the Interim Surviving Entity, each of such directors to hold office; and (ii) the officers of Merger Sub 1 immediately prior to the Effective Time shall be officers of the Interim Surviving Entity, each of such officers to hold office, in each case, subject to the applicable provisions of the certificate of formation and operating agreement of the Interim Surviving Entity, until their respective successors are duly elected or appointed or until such directors' or officers' earlier resignation or removal. Unless otherwise directed by Parent and Buyer prior to Closing, the foregoing shall apply, *mutatis mutandis*, at the Second Effective Time (such that the directors and officers of Merger Sub 2 immediately prior to the Second Effective Time shall be the directors and officers of the Surviving Entity).

Section 1.7 Subsequent Actions. If, at any time after the Second Effective Time, the Surviving Entity shall consider or be advised that any deeds, bills of sale, assignments, assurances or any other actions or things are necessary or desirable to vest, perfect or confirm of record or otherwise in the Surviving Entity its right, title or interest in, to or under any of the rights, properties or assets of either of the Company, Merger Sub 1 or Merger Sub 2 acquired or to be acquired by the Surviving Entity as a result of, or in connection with, the Merger or otherwise to carry out this Agreement, the officers and directors of Parent, Buyer, the Company and the Surviving Entity shall be fully authorized to execute and deliver, in the name and on behalf of the Company, the Surviving Entity, Merger Sub 1 or Merger Sub 2, all such deeds, bills of sale, assignments and assurances and to take and do, in the name and on behalf of each of such corporations or otherwise, all such other actions and things as may be necessary or desirable to vest, perfect or confirm any and all right, title and interest in, to and under such rights, properties or assets in the Surviving Entity or otherwise to carry out this Agreement.

Section 1.8 Consideration; Effect on Capital Stock.

(a) Aggregate Merger Consideration. Upon the terms and subject to the conditions of this Agreement, the Aggregate Merger Consideration payable by Parent and Buyer, jointly and severally, in connection with the Merger shall be payable to and will consist of:

(i) The Aggregate Cash Consideration, which will be paid as follows:

(A) Nine Million Eight Hundred Fifty Thousand U.S. dollars ($9,850,000) (*minus* the sum of (i) the Working Capital Shortfall (expressed as a positive number, if any) and (ii) the Company Transaction Expenses (expressed as a positive number), and *plus* the Working Capital Excess (if any and subject to Section 1.8(g) below), the "Closing Cash Consideration") payable on the Closing Date, for the benefit of the Company Equityholders which, unless otherwise expressly provided herein, shall be deposited with the Paying Agent in accordance with the provisions of this Agreement;

(B) One Million One Hundred Thousand U.S. dollars ($1,100,000) (the "Escrow Amount"), which, as of the Closing Date, shall be transferred by the Parent to the Escrow Agent, acting in its capacity as escrow agent pursuant to the Escrow Agent Agreement, to secure indemnification obligations under this Agreement; and

(C) The cash portion of the Earnout Payment Amount, if any, payable for the benefit of the Company Stockholders in accordance with Sections 1.8(b) and (c) below, which (if applicable and unless otherwise expressly provided herein) shall be deposited with the Paying Agent, in accordance with the provisions of this Agreement and the Paying Agent Agreement; and

(ii) The Aggregate Share Consideration, which will be paid as follows:

(A) On the Closing Date, Parent shall deliver to the Parent's transfer agent (with a copy to the Company) duly executed irrevocable instructions, instructing the transfer agent to deliver, on an expedited basis, certificates evidencing a number of Parent Ordinary Shares equal, in the aggregate, to the Closing Share Consideration, registered in the name of the Company Equityholders, as indicated in the Final Payment Spreadsheet, in accordance with the provisions of this Agreement and unless otherwise expressly provided herein (the "Instruction Letter");

(B) The Holdback Share Consideration, which shall be held back by Parent for eighteen (18) months following the Closing to secure indemnification obligations under this Agreement and shall be issued to the Company Equityholders, in accordance with, and subject to, Article VIII hereof. The allocation of the Holdback Shares, if and when released to the Company Equityholders, shall be as set forth in the Final Payment Spreadsheet; and

(C) The Parent Ordinary Shares portion of the Earnout Payment Amount, if any, payable for the benefit of the Company Equityholders in accordance with Sections 1.8(b) and (c) below, which shall be issued in accordance with the provisions of this Agreement. The allocation of these Parent Ordinary Shares, if and when issued, shall be as set forth in the Final Payment Spreadsheet.

(iii) Notwithstanding anything to the contrary hereunder, (A) the maximum value of the Aggregate Merger Consideration, will in no event exceed Forty Nine Million Five Hundred Thousand U.S. dollars ($49,500,000); (B) the Aggregate Cash Consideration will in no event exceed Twenty Nine Million Six Hundred Fifty Thousand U.S. dollars ($29,650,000), such amount assumes the maximum payment of the Earnout Payment Amount, and that Buyer makes such payment 60% in cash and 40% in Parent Ordinary Shares (valued for this purpose at $19,850,000); (C) the value of the Aggregate Share Consideration will in no event exceed Nineteen Million Eight Hundred Fifty Thousand U.S. dollars ($19,850,000), such amount assuming the maximum payment of the Earnout Payment Amount, and that Buyer makes such payment 60% in cash and 40% in Parent Ordinary Shares (valued for this purpose at $19,850,000); and (D) the Earnout Payment Amount will in no event exceed Thirty One Million Five Hundred Thousand U.S. dollars ($31,500,000).

(iv) Notwithstanding anything to the contrary hereunder, the number of Company Equityholders (excluding the Company Accredited Investors) who will be entitled to receive the Parent Ordinary Shares in accordance with this Agreement, will (as proven to Parent, at Parent's reasonable belief) not exceed thirty five (35).

(v) Notwithstanding anything to the contrary hereunder, a portion of the Closing Cash Consideration otherwise payable for the benefit of the Company Stockholders equal to $30,000 (the "Rep Reimbursement Amount"), shall not be paid to the Company Stockholders, but shall instead be deposited with the Escrow Agent, to be used by the Stockholders' Representative for the payment of expenses incurred by it in performing its duties pursuant to this Agreement. The portion of the Closing Cash Consideration to be contributed on behalf of each Company Stockholder hereunder to the Rep Reimbursement Amount shall be made on a pro rata basis and be based on the Proportionate Indemnification Share. All such amounts shall be deemed paid to each such Company Stockholder and deemed deposited with the Escrow Agent by each such Company Stockholder. In the event that the Stockholders' Representative has not used the entire Rep Reimbursement Amount until the Termination Date (as defined in the Escrow Agent Agreement), unless otherwise determined by the Stockholders' Representative and communicated to the Company Stockholders in writing, any remaining amount shall be distributed by Buyer or the Escrow Agent to the Company Stockholders pro rata to their respective Proportionate Indemnification Share in accordance with the terms of the Escrow Agent Agreement and the Final Payment Spreadsheet. If the Rep Reimbursement Amount shall be insufficient to reimburse the Stockholders' Representative's expenses in accordance with this Agreement, then upon written request of the Stockholders' Representative, each Company Stockholder shall make a payment of its respective share of such additional expenses to the Stockholders' Representative pro rata based on Indemnifying Person's Proportionate Indemnification Share; *provided, however*, that any additional payment by each Company Stockholder shall (i) not impact any of the obligations of each Company Stockholder to the Parent Indemnitees pursuant to Article VIII below and (ii) not exceed such Company Stockholder's Proportionate Indemnification Share.

(b) Earnout Payment Amount. Subject to Article VIII hereof, Buyer shall pay additional contingent payments to the Company Stockholders of up to a maximum aggregate amount of Thirty One Million Five Hundred Thousand U.S. Dollars ($31,500,000) (subject to downward adjustments as provided herein, the "Earnout Payment Amount") upon the following terms:

(i) if the recognized revenues from the sale of the Company Products (as determined in accordance with GAAP consistently applied by Parent in its applicable audited consolidated financial statements, the "Qualified Sales") in the period between the Closing Date and December 31, 2015 (the "2015 Revenues") is at least $7,800,000 (the "2015 Target"), then Buyer shall pay additional consideration equal to three (3) times the excess of (X) the 2015 Revenues, *minus* (Y) the 2015 Target (subject to the downward adjustments set forth herein, the "2015 Payment"); and

(ii) if the Qualified Sales in the period between January 1, 2016 and December 31, 2016 (the "2016 Revenues") is at least the higher of (i) the product of the 2015 Revenues multiplied by 1.3 and (ii) $9.0 million (the higher of being the "2016 Target"), then Buyer will pay additional consideration equal to three (3) times the excess of (X) the 2016 Revenues, *minus* (Y) the 2016 Target (subject to the downward adjustments set forth herein, the "2016 Payment").

By way of illustration only, if, according to the 2015 Earnout Statement (as defined below), the 2015 Revenues are $9,000,000, then (i) the 2015 Payment shall be $3,600,000, and (ii) the 2016 Target shall be $11,700,000.

(c) Earnout Payment Procedures. The procedures for the calculation and payment of the Earnout Payment Amount shall be as follows:

(i) Within 90 days following the end of each of the calendar years of 2015 and 2016 (i.e., until March 31, 2016 and March 31, 2017, respectively), Buyer shall send the Stockholders' Representative a statement (each, an "Earnout Statement") specifying (a) with respect to the Earnout Statement sent on or before March 31, 2016 (the "2015 Earnout Statement") - the 2015 Revenues, and (b) with respect to the Earnout Statement sent on or before March 31, 2017 (the "2016 Earnout Statement") - the 2016 Revenues, as applicable, as well as the calculation of the Earnout Payment Amount, if any, payable hereunder.

(ii) The Stockholders' Representative may object to the Earnout Statement, no later than thirty (30) days following delivery thereof, by way of delivering a written notice, executed by the Stockholders' Representative, to that effect to Buyer, providing details for the grounds for such objection (the "Earnout Objection Notice"). If the Stockholders' Representative does not timely deliver such Earnout Objection Notice, then the Earnout Statement shall be deemed final and binding for all intents and purposes and Buyer shall transfer the Earnout Payment Amount, if any, specified in such Earnout Statement within ten (10) Business Days thereafter, to the Company Equityholders (in accordance with the provisions of this Agreement and the allocation set forth in the Final Payment Spreadsheet).

(iii) However, if the Stockholders' Representative timely delivers such Earnout Objection Notice, then, notwithstanding Section 9.12 hereof, the dispute regarding such amount shall be resolved in the manner set forth in Schedule A hereto.

(iv) Buyer shall pay 40% (the "Share Percentage") of (A) the 2015 Payment, if any (if such payment will be earned and payable based on the 2015 Earnout Statement) in Parent Ordinary Shares (the "2015 Earnout Shares"), the number of which shall equal to the product obtained by dividing (x) the portion payable in Parent Ordinary Shares by (y) the Average Price prior to March 31, 2016; and (B) the 2016 Payment, if any (if such payment will be earned and payable based on the 2016 Earnout Statement) in Parent Ordinary Shares (the "2016 Earnout Shares" and, together with the 2015 Earnout Shares, the "Earnout Shares"), the number of which shall equal to the product obtained by dividing (x) the portion payable in Parent Ordinary Shares by (y) the Average Price prior to March 31, 2017. The balance of the applicable 2015 Payment or 2016 Payment will be payable in cash.

(v) Notwithstanding anything to the contrary hereunder, (A) Buyer shall not be required under clause (iv) above to issue Parent Ordinary Shares to any Company Cashholder, (B) the Share Percentage may be increased by Parent by up to an additional number of Parent Ordinary Shares that, in the absence of the foregoing clause (A), would be issuable to Company Cashholders, (C) the number of Earnout Shares together with the Closing Share Consideration and Holdback Share Consideration shall not exceed, in any event, 19.99% of the issued and outstanding Parent Ordinary Shares as of immediately prior to the Closing, and (D) if, at any time prior to the issuance of any Earnout Shares, Parent is being acquired by a third party, whether by way of a merger, tender offer or otherwise, such that Parent Ordinary Shares will thereafter no longer be publicly traded, then the remaining Earnout Payment Amount, if any, shall be paid solely in cash.

(vi) There can be no assurance that any Earnout Payment Amount will become payable hereunder. Without derogating from the generality of the foregoing, it is hereby clarified that, at and from the Closing, the Buyer will assume control of, and have absolute discretion to operate, the Company and its business as it sees fit; *provided, however*, that during the period following the Closing and December 31, 2016, the Buyer shall not willfully take any actions, nor omit to take any actions, with the exclusive intent of preventing the Earnout Payment Amount from becoming payable hereunder. The exercise of such control and discretion will not entitle the Company Equityholders or anyone on their behalf to assert any claims under this Agreement or otherwise for failure of the Buyer, the Company or any of their Affiliates in satisfying any covenant (implied or express) relating to the operation of the Company and/or the Company's business following the Closing. Parent, the Buyer, their Affiliates and their Representatives will have and reserve the exclusive authority, power and right at all times to control all aspects of the business and operations of the Company, the Parent, the Buyer or any Affiliate thereof, including the unrestricted discretion to determine to what extent, if any, will any resources be spent in order to develop, sell, market and support any Company Products, the manner in which development, sales and marketing will take place, if any, the budgets that will be dedicated and the acquisition, sale or incorporation of any products, technologies, divisions or operations. Nothing herein shall be deemed to create or imply any restriction or limitation on the ability of the Parent, the Buyer or any Affiliate thereof to pursue any activities or operations of any kind or nature, to enter into, terminate, modify, dispose of or otherwise make any change thereto, or sell any assets or properties. In addition, and without derogating from the generality of the foregoing, it is hereby clarified that the Earnout Payment Amounts, if any, shall not (i) be certificated, (ii) represent an equity ownership interest in the Company or Parent or any of their respective Affiliates, (iii) have any voting rights or dividend rights associated therewith, or (iv) bear any interest.

(vii) Notwithstanding the foregoing clause (vi), if, following the Closing but prior to December 31, 2016, Buyer (or its Affiliates) implements a significant adverse change in the Business of the Company as specified in Schedule 1.8(c)(vii) hereto (each, an "Adverse Change"), then, unless (a) Buyer obtained the Stockholders' Representative's prior consent to such an Adverse Change (not to be unreasonably withheld, conditioned or delayed) or (b) such an Adverse Change is required under any applicable Legal Requirement, then an equitable downward adjustment shall be made to the 2015 Target and/or the 2016 Target, as applicable, so that the Earnout Payment Amount, in part or in whole (depending on the appropriate adjustment), may be deemed earned and payable as a result of such equitable adjustment. For the sake of clarity, nothing herein shall prevent Buyer, Parent and/or their Affiliates, including the Company, to take any action that would constitute an Adverse Change. In the event that an Adverse Change is required under clause (b) above, the Buyer and the Stockholders' Representative shall work together in good faith to provide the Company Stockholders, if reasonably practicable in light of such Legal Requirement, with a comparable opportunity to achieve 2015 Target and/or the 2016 Target, as applicable.

(viii) Notwithstanding anything to the contrary hereunder, the 2015 Payment, if any, and the 2016 Payment, if any, shall be reduced by the amount of the Contingent Transaction Expenses.

(d) Conversion of Company Capital Stock. At the Effective Time and as a result of the Merger 1:

(i) Each share of Company AA Preferred Stock, outstanding at the Effective Time, but excluding Dissenting Shares and Excluded Shares, shall by virtue of the Merger 1 and without any action on the part of any party hereto or any holder thereof, be converted into the right to receive (1) cash in the per share amount set forth on the Final Payment Spreadsheet (the "Series AA Cash Amount") and (2) Parent Ordinary Shares in the per share amount set forth on the Final Payment Spreadsheet (the "Series AA Share Amount", and together with the Series AA Cash Amount, the "Series AA Amount"), in each case, subject to adjustments and payable as provided in this Agreement.

(ii) Each share of Company AA-1 Preferred Stock, outstanding at the Effective Time, but excluding Dissenting Shares and Excluded Shares, shall by virtue of the Merger 1 and without any action on the part of any party hereto or any holder thereof, be converted into the right to receive (1) cash in the per share amount set forth on the Final Payment Spreadsheet (the "Series AA-1 Cash Amount") and (2) Parent Ordinary Shares in the per share amount set forth on the Final Payment Spreadsheet (the "Series AA-1 Share Amount", and together with the Series AA-1 Cash Amount, the "Series AA-1 Amount"), in each case, subject to adjustments and payable as provided in this Agreement.

(iii) Each share of Company AA-2 Preferred Stock, outstanding at the Effective Time, but excluding Dissenting Shares and Excluded Shares, shall by virtue of the Merger 1 and without any action on the part of any party hereto or any holder thereof, be converted into the right to receive (1) cash in the per share amount set forth on the Final Payment Spreadsheet (the "Series AA-2 Cash Amount") and (2) Parent Ordinary Shares in the per share amount set forth on the Final Payment Spreadsheet (the "Series AA-2 Share Amount", and together with the Series AA-2 Cash Amount, the "Series AA-2 Amount", and together with the Series AA Amount and the Series AA-1 Amount, the "Preferred Amount"), in each case, subject to adjustments and payable as provided in this Agreement.

(iv) Each share of Company Common Stock outstanding at the Effective Time, including Company Common Stock issued prior to the Effective Time upon exercise of Company Stock Options or other convertible securities, but excluding Dissenting Shares and Excluded Shares, shall by virtue of the Merger 1 and without any action on the part of any party hereto or any holder thereof, be converted into the right to receive (1) cash in the per share amount set forth on the Final Payment Spreadsheet (the "Common Cash Amount") and (2) Parent Ordinary Shares in the per share amount set forth on the Final Payment Spreadsheet (the "Common Share Amount", and together with the Common Cash Amount, the "Common Amount" and, with respect to the Company Preferred Stock, together with the applicable Preferred Amount, the "Share Amount"), in each case, subject to adjustments and payable as provided in this Agreement.

(v) Each certificate representing any of the Company Capital Stock, each non certificated Company Capital Stock registered in the Company's shareholders register and the registration of any holder of a Company Capital Stock in the Company's shareholders register, shall thereafter only represent the right to receive, with respect to each share of Company Capital Stock, upon surrender of such certificate(s) (or an affidavit of loss in lieu thereof pursuant to Section 1.8(j) hereof) in accordance with this Agreement and subject to the other terms of this Agreement, the Share Amount, subject to withholding Tax and without any interest thereon. The Share Amount that is payable in cash shall be rounded to the nearest cent and computed after aggregating cash amounts for all shares of Company Capital Stock held by such Company Stockholder immediately prior to the Effective Time.

(e) Payment Spreadsheets.

(i) Attached hereto as Exhibit D-1, is a spreadsheet (the "Preliminary Payment Spreadsheet"), certified by the CEO and CFO of the Company (the "Authorized Persons") showing (i) the Company's good faith estimate (based on reasonable assumptions) of the Company's financial position as of the Closing Date (the "Closing Balance Sheet"); (ii) the Company Cash, the Company Indebtedness, the Company Transaction Expenses and the Company Net Working Capital; (iii) for each holder of Company Capital Stock, Company Stock Options and Company Warrants, as of the date thereof: (A) the name, the street address, email address, and residency of such holder, telephone number, bank information (the respective bank name and number, the branch name, number and address, swift number and account number), (B) the number and class of shares of Company Capital Stock held, (C) the Company Stock Options and Company Warrants held, if any, together with details thereon (for Company Stock Options – including type, vesting, exercise price, etc.), and (D) a calculation of the portion of the Aggregate Merger Consideration (including the number of Parent Ordinary Shares each Company Stockholder will be entitled to receive out of the Aggregate Share Consideration, the portion of the Aggregate Cash Consideration each Company Stockholder will be entitled to receive, in each of the Closing Cash Consideration, the Escrow Amount and Earnout Payment Amount (assuming full payment)) payable to such Company Stockholder pursuant to this Agreement and relative portion of the Rep Reimbursement Amount, where applicable and all Share Amounts; (iv) for each Employee receiving payment hereunder, such additional details reasonably required by Parent, Buyer, the Escrow Agent or the Paying Agent so as to properly compute any applicable withholding Taxes for payroll deductions, if and to the extent applicable. In the event that following the date hereof and prior to the Closing Date, the Company determines that the information set forth in the Preliminary Payment Spreadsheet (other than the number of Company Accredited Investors) is incomplete or inaccurate (e.g., as a result of the exercise of Company Stock Options into Company Capital Stock), then no later than two (2) Business Days prior to the Closing Date, the Company shall deliver to Parent a revised spreadsheet (the "Final Payment Spreadsheet"), which will be attached hereto as Exhibit D-2, showing all information required to be stated in the Preliminary Payment Spreadsheet, updated to the Closing Date and certified by the Authorized Persons. In the event the Company does not timely amend the information set forth in the Preliminary Payment Spreadsheet, such spreadsheet shall be deemed to be the Final Payment Spreadsheet (subject to Section 1.8(g) below).

(ii) Neither Parent, nor Buyer, the Merger Subs, the Escrow Agent, the Paying Agent or any of their respective Representatives shall be responsible for the determination of the allocation of the Aggregate Merger Consideration. The Aggregate Merger Consideration allocation will be presented in the Final Payment Spreadsheet, which will be deemed a Specified Representation of the Company. The Company also represents that the information and calculations set forth in the Final Payment Spreadsheet are, and shall be, made in accordance with the terms and conditions (including liquidation preferences, if any) of this Agreement, the Company's Organizational Documents, and other relevant existing contractual arrangements among the Company, the holders of Company Capital Stock, Company Optionholders and holders of Company Warrants. In no event shall Parent or Buyer, the Merger Subs, the Escrow Agent, the Paying Agent or any of their respective Representatives be required to make any payments pursuant to this Agreement unless and until the Final Payment Spreadsheet has been duly executed and delivered by the Company. Parent, Buyer, the Merger Subs, the Escrow Agent, the Paying Agent and any of their respective Representatives shall be entitled to rely entirely upon the Final Payment Spreadsheet in connection with making the payments pursuant to this Agreement and neither the Stockholders' Representative nor any Company Stockholder shall be entitled to make any claim in respect of the allocation of the payments so made to or for the benefit of any of them to the extent that the payments are made in a manner consistent with the Final Payment Spreadsheet and this Agreement.

(iii) Without derogating from Section 5.3 hereof, if between the date of this Agreement and the Closing Date, the number of outstanding Company Capital Stock is changed into a different number of shares or into a different class, by reason of any share dividend, subdivision, reclassification, recapitalization, split-up, combination, exercise of Company Stock Options, exchange of shares, or the like, the amounts payable to the Company Stockholders set out in this Agreement and the Final Payment Spreadsheet will be correspondingly adjusted to reflect such change, such that the Aggregate Merger Consideration shall not be increased or reduced as a result of any such action.

(f) Company Stockholders Release. **Each Company Stockholder who accepts payment for his, her or its portion of the Aggregate 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 1.8(j) hereof), which immediately prior to the Effective Time represented shares of Company Capital Stock, shall be deemed to have make the representations, waivers and releases set forth in Article III hereof**.

(g) Net Working Capital Adjustment. Notwithstanding anything to the contrary hereunder, if the Company Net Working Capital will be (x) less than Three Hundred Seventy Five Thousand U.S. Dollars ($375,000) (the "Working Capital Target", and the amount of such deficiency, if any, being referred to herein as the "Working Capital Shortfall"), then the Aggregate Merger Consideration shall, for all purposes hereunder, be adjusted downward, dollar-for-dollar, by an amount equal to the Working Capital Shortfall (to be applied first to the Closing Cash Consideration as contemplated hereunder) and, consequently, the Share Amount shall be adjusted downward proportionately, or (y) more than the Working Capital Target (the amount of such excess, if any, being referred to herein as the "Working Capital Excess"), then the Buyer shall, within five (5) Business Days, pay such Working Capital Excess to the Paying Agent for further distribution to the Company Stockholders in accordance with this Agreement and the Paying Agent Agreement; *provided however* that if the Working Capital Excess is more than $50,000 then, unless the full Working Capital Excess is as a result of Company Cash, then the following shall apply: (A) Accounts Receivable(s) that were included in the Company Net Working Capital in an amount equal as much as possible to such Working Capital Excess (but without bifurcating or dividing any one Account Receivable) shall be excluded from the computation of the Company Net Working Capital (the "Excluded AR") so that the Working Capital Excess shall be lower than $50,000 and (B) Buyer shall, within five (5) Business Days following actual collection of such Excluded AR (without undertaking any obligation to take any legal actions in order to cause such collection), if any, pay the net proceeds of such Excluded AR to the Paying Agent for further distribution to the Company Stockholders in accordance with this Agreement and the Paying Agent Agreement. The determination of the Company Net Working Capital shall be as follows:

(i) Not less than two (2) Business Days prior to the Closing, the Company shall deliver to Buyer a certificate executed by the Authorized Persons detailing the Company's good faith best estimate of the Company Net Working Capital as of the Closing Date, including an estimated balance sheet of the Company as of the Closing Date (the "Company Net Working Capital Certificate"). The Company Net Working Capital Certificate shall be prepared by the Company in US Dollars, in accordance with GAAP and shall present the Company's good faith estimate (based on reasonable assumptions) of the balance sheet of the Company and the estimated Company Net Working Capital as of the close of business on the Closing Date.

(ii) Within 90 days after the Closing, Buyer may object to the Company Net Working Capital calculations included in the Company Net Working Capital Certificate by delivering to the Stockholders' Representative a certificate (the "Buyer NWC Certificate") executed by an officer of Buyer, setting forth (i) the balance sheet of the Company as of the close of business on the Closing Date, and (ii) Buyer's calculation of the Company Net Working Capital as of the close of business on the Closing Date and the amount by which Company Net Working Capital as calculated by Buyer is less than the Company Net Working Capital set forth in the Company Net Working Capital Certificate. Within one (1) Business Day after the Closing, Stockholders' Representative may revise the Company Net Working Capital calculations included in the Company Net Working Capital Certificate by delivering to the Parent and Buyer a certificate (the "Revised NWC Certificate," and each of the Revised NWC Certificate and the Buyer NWC Certificate, an "Adjustment Certificate") executed by the Stockholders' Representative setting forth (i) the revised balance sheet of the Company as of the close of business on the Closing Date, and (ii) Stockholders' Representative's revised calculation of the Company Net Working Capital as of the close of business on the Closing Date and the amount by which such revised Company Net Working Capital exceeds the Company Net Working Capital set forth in the Company Net Working Capital Certificate. The Buyer NWC Certificate and Revised NWC Certificate, if any, shall be prepared in US Dollars, in accordance with GAAP and may take into account any information not available to the parties at the time the Company Net Working Capital Certificate was delivered. If Buyer fails to timely deliver the Buyer NWC Certificate, then the Company Net Working Capital reflected in the Company Net Working Capital Certificate shall be deemed as the final Company Net Working Capital.

(iii) In the event that either Buyer or the Stockholders' Representative delivers an Adjustment Certificate reflecting a Company Net Working Capital which is less than the amount set forth in the Company Net Working Capital Certificate (such difference, the "Negative Adjustment Amount") or which is greater than the amount set forth in the Company Net Working Capital Certificate (such difference, the "Positive Adjustment Amount"), and the recipient of such Adjustment Certificate does not timely disagree with the calculations in such Adjustment Certificate (by timely delivering a Notice of Dispute as set forth below), then, without derogating from the rights of Parent and Buyer under Article VIII, in the case of a Negative Adjustment Amount, the Company Stockholders shall promptly, and in any event, within ten (10) Business Days thereafter, pay to Buyer the amount of the Negative Adjustment Amount, and in the case of a Positive Adjustment Amount, Buyer shall promptly, and in any event within ten (10) Business Days thereafter, pay to the Paying Agent for further distribution to the Company Stockholders the amount of the Positive Adjustment Amount.

(iv) In the event that either the Stockholders' Representative on the one hand or the Buyer on the other hand shall disagree with any item(s) or amount(s) set forth in an Adjustment Certificate (and, in the case of disagreement by Buyer, an Adjustment Certificate shall also include the Company Net Working Capital Certificate), within (i) twenty (20) days following the receipt of such Adjustment Certificate if sent by Buyer to the Stockholders' Representative or (ii) ninety (90) days following the receipt of the Company Net Working Capital Certificate (or of such Adjustment Certificate if sent by the Stockholders' Representative to Buyer), the Stockholders' Representative or the Buyer, as applicable, may deliver a notice of such disagreement, executed by such party (a "Notice of Dispute"). The recipient of an Adjustment Certificate shall be deemed to have irrevocably consented and agreed (in the case of the Stockholders' Representative, for and on behalf of the Company Stockholders) to the Adjustment Certificate if the recipient shall fail to timely deliver a Notice of Dispute. In the event that the Stockholders' Representative or the Buyer, as applicable, shall timely deliver to the other party a Notice of Dispute pursuant to this Section, the parties shall address any disputed item(s) and amount(s) in accordance with the procedures set forth in Schedule B hereto.

(v) In the event that Buyer and the Stockholders' Representative shall resolve the dispute (in accordance with the procedures set forth in Schedule B hereto or as a settlement), then, unless otherwise agreed by Buyer and the Stockholders' Representative and without derogating from the rights of Parent and Buyer under Article VIII, then (A) if a Negative Adjustment Amount, the Company Stockholders shall promptly, and in any event, within ten (10) Business Days after such resolution, pay to Buyer the amount of the Negative Adjustment Amount as so resolved, and (B) if such amount is a Positive Adjustment Amount, Buyer will pay, within ten (10) Business Days after such resolution, to the Company Stockholders, in each case in accordance with Section 1.8(g)(iii), and in each case the Final Payment Spreadsheet shall be adjusted accordingly.

(h) Paying Agent and Escrow Agent.

(i) At or prior to Closing, Parent and Buyer shall engage (1) American Stock Transfer & Trust Company, LLC, or another third person reasonably acceptable to the Company, to act as paying agent (the "Paying Agent") in connection with the Merger and enter into an agreement with the Paying Agent in a form reasonably acceptable to the Company (the "Paying Agent Agreement") and (2) American Stock Transfer & Trust Company, LLC, or another third person reasonably acceptable to the Company, to act as escrow agent (the "Escrow Agent") in connection with the Merger and enter into an agreement with the Escrow Agent in substantially the form attached hereto as Exhibit E (the "Escrow Agent Agreement").

(ii) At or promptly after the Closing, Parent and the Buyer shall: (i) deposit with the Paying Agent the Closing Cash Consideration (*less* the Rep Reimbursement Amount), (ii) deliver the duly executed Instruction Letter to the Parent's transfer agent and (iii) deposit with the Escrow Agent the Escrow Amount *plus* the Rep Reimbursement Amount, all in accordance with Section 1.8(a) above.

(iii) Promptly following the Effective Time, Parent and Buyer shall cause the Paying Agent to mail to each Person who was, at the Effective Time, a holder of record of Company Capital Stock that is converted into a right to receive a portion of the Aggregate Merger Consideration as set forth in the Final Payment Spreadsheet, a letter of transmittal, in substantially the form attached hereto as Exhibit F (the "Letter of Transmittal") which shall (x) specify, among others, that delivery shall be effective only upon delivery of all certificate or certificates which immediately prior to the Effective Time represented outstanding Company Capital Stock (the "Certificates") to the Paying Agent, or any affidavit of lost, stolen or destruction of such Certificates, in each case with the risk of loss and title to the Certificates shall remain with the holder of the Company Capital Stock until such delivery, (y) include instructions for effecting the surrender of such Certificates in exchange for a portion of the Aggregate Merger Consideration, and provide for the collection from the holders of Company Capital Stock of Forms W-8, W-9, or other customary documentation under the Code to satisfy withholding obligations that may otherwise have been required thereunder, and (z) include customary representations, waivers and indemnities of the holders. Upon surrender of a Certificate to Paying Agent together with such Letter of Transmittal, duly executed and completed in accordance with the instructions thereto, each holder of Company Capital Stock delivering such documents shall be entitled to receive in exchange therefor: (1) its respective portion of the Aggregate Merger Consideration in accordance with the Final Payment Spreadsheet; minus (2) any applicable Tax, such payments to be made in accordance with the instructions, and delivered to the address specified in the applicable letter of transmittal. If payment is to be made to a Person other than the registered holder of the Certificate surrendered, it shall be a condition of such payment that the Certificate so surrendered 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 Parent, Buyer, the Surviving Entity or the Paying Agent that such Tax has been paid or is not applicable. For the avoidance of doubt, it is hereby clarified that no interest will be paid or will accrue on the amount payable upon the surrender of any such Certificate.

(iv) One hundred and eighty (180) days following the Effective Time, Buyer shall be entitled (but not obligated) to cause the Paying Agent to deliver to Buyer (or its Affiliates) any funds (including any interest received with respect thereto) as well as Closing Share Consideration, if any, made available to the Paying Agent that have remained unclaimed by any holder of Certificates or agreements formerly representing Company Capital Stock outstanding on the Effective Time, and thereafter such holders shall be entitled to look only to Buyer with respect to the consideration payable upon due surrender of their Certificates.

(v) Notwithstanding the foregoing, neither the Paying Agent, the Escrow Agent nor any Party hereto or their respective Representatives shall be liable to any holder of Certificates formerly representing Company Capital Stock and/or any of such holder's heirs, executors, administrators and successors, for any amount paid to a Governmental Entity pursuant to any applicable abandoned property, escheat or similar law.

(vi) Parent and Buyer will make the payments pursuant this Agreement with the assistance of the Paying Agent. Parent and Buyer shall, jointly and severally, cause, and be responsible for, the Paying Agent to make the payment of the Closing Consideration to the Company Equityholders in accordance with this Agreement, the Final Payment Spreadsheet and the Paying Agent Agreement.

(vii) Notwithstanding anything to the contrary herein, any consideration to be paid or delivered to any holder of Company Stock Options or Employees (in their capacities as such) may be, at Parent's sole discretion, paid to such holder of Company Stock Options or Employee indirectly through the Surviving Entity and/or its Subsidiaries (rather than through the Paying Agent), and withholding of the applicable Tax, if any, shall be made through the Surviving Entity's or applicable Subsidiary's payroll.

(i) Company Cashholders; Fractional Shares. Notwithstanding anything to the contrary herein (but, for the sake of clarity, without increasing the Closing Share Consideration), (A) no Company Stockholder who would otherwise be entitled to less than ten (10) Parent Ordinary Share as part of the Closing Share Consideration (each such Company Stockholder, a "Company Cashholder") be entitled to receive any Parent Ordinary Shares hereunder, and (B) no fractional shares of Parent Ordinary Shares will be issued pursuant to this Agreement, and any fractional share that would otherwise be due to a Person hereunder (after aggregating all fractional shares of Parent Ordinary Shares to be received by such Person) shall be rounded down to the nearest whole share, except that, solely with respect to any Company Cashholder , Buyer shall pay cash in lieu of such Parent Ordinary Shares (including fractions thereof) equal to the product obtained by the sum of (A) multiplying (x) the applicable number of Parent Ordinary Shares (including fractions) otherwise issuable to such Company Cashholder by (y) $9.71 (or, with respect to the 2015 Earnout Shares, the Average Price prior to March 31, 2016, and with respect to the 2016 Earnout Shares, the Average Price prior to March 31, 2017), less (B) any required withholding Taxes and without interest.

(j) Lost, Stolen or Destroyed Certificates. If any Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such Certificate to be lost, stolen or destroyed and, if required by the Paying Agent or Parent, an agreement, in customary form, to indemnify against any claim that may be made against the Paying Agent or Parent or the Surviving Entity with respect to such Certificate, the Paying Agent will deliver in exchange for such lost, stolen or destroyed Certificate the portion of the Aggregate Merger Consideration with respect to the Company Capital Stock formerly represented thereby.

(k) Conversion of Merger Subs Securities.

(i) Conversion of Merger Sub 1 Units. At the Effective Time, on the terms and subject to the conditions of this Agreement, by virtue of Merger 1 and without any action on the part of any of the parties hereto, each unit of membership interests of Merger Sub 1 issued and outstanding immediately prior to the Effective Time shall be cancelled and shall automatically be converted into one (1) validly issued, fully paid and nonassessable unit of membership interests of the Interim Surviving Entity.

(ii) Conversion of Merger Sub 2 Units. At the Second Effective Time, by virtue of Merger 2 and without any action on the part of any of the parties hereto, each unit of membership interests of Merger Sub 2 issued and outstanding immediately prior to the Second Effective Time shall remain outstanding and shall represent one (1) validly issued, fully paid and nonassessable unit of membership interests of the Surviving Entity.

(l) Cancellation of Certain Company Capital Stock. Notwithstanding anything herein to the contrary, at the Effective Time, all shares of Company Capital Stock that are owned by the Company as treasury stock and each share of Company Capital Stock held by Parent, Buyer, Merger Sub 1, Merger Sub 2, any other Subsidiary of Parent or Buyer (the "Excluded Shares") shall be cancelled and extinguished without any conversion thereof and shall not be taken into account for purposes of any amounts payable to the Company Stockholders hereunder.

(m) Dissenters' Rights. "Dissenting Shares" means any shares of Company Capital Stock issued and outstanding immediately prior to the Effective Time and held by a holder who is entitled to demand and who properly demands appraisal for such shares of Company Capital Stock in accordance with Section 262 of the DGCL.

(i) Subject to clause (ii) of this Section 1.8(m), notwithstanding any provision of this Agreement to the contrary, Dissenting Shares shall not be converted as provided in Section 1.8(c) and (e), but instead such holder thereof shall be entitled only to such rights as are granted by Section 262 of the DGCL.

(ii) Notwithstanding the provisions of clause (i) of this Section 1.8(m), if any holder of shares of Company Capital Stock who demands appraisal of such holder's shares of Company Capital Stock under the DGCL effectively waives, withdraws or loses (through failure to perfect or otherwise) such holder's right to appraisal, then as of the Effective Time or the occurrence of such event, whichever later occurs, such holder's shares of Company Capital Stock shall automatically be converted into the right to receive the amounts provided in Section 1.8(c) and (e) upon surrender of the Certificates representing such Company Capital Stock pursuant to this Agreement.

(iii) The Company shall give Parent and Buyer (x) prompt notice of any demands for appraisal or payment of the fair value of any shares of Company Capital Stock, withdrawals of such demands, and any other instruments served on the Company pursuant to the DGCL or the Legal Requirement of any other applicable jurisdiction or otherwise relating to the Merger, and (y) the opportunity to participate in and direct all negotiations and proceedings with respect to demands. Except with the prior written consent of Parent and Buyer, the Company shall not (x) voluntarily make any payment with respect to any demands for appraisal or (y) settle, or offer to settle, any such demands or agree to do any of the foregoing, or (z) waive any failure by a former Company Stockholder to timely deliver a written objection or to perform any other act perfecting appraisal rights in accordance with the DGCL. Following the Effective Time, Buyer and Parent shall control any such negotiations and proceedings, and shall be permitted to settle such demands for appraisal on the terms applicable to Third Party Claims under Article VIII.

(n) Treatment of Company Stock Options.

(i) No Company Stock Options (whether vested or not) shall be assumed by Parent, Merger Sub 1 or Merger Sub 2 in the Merger. At the Closing, each of the Company Stock Options to the extent not exercised in accordance with the terms of an optionholder notice, in a form reasonably acceptable to Buyer and Parent, delivered by the Company to each such holder of Company Stock Options immediately following the date hereof, shall be cancelled in a manner satisfactory to Parent and Buyer.

(ii) At or prior to the Closing, the Company shall take, following consultation with Parent and Buyer, all actions under the Company Option Plans in order to effectuate this Section 1.8(n).

(o) Treatment of Company Warrants. All Company Warrants will be terminated at or before Closing in accordance with a warrant termination agreement in a form reasonably satisfactory to Buyer and Company to be entered on or prior to the date hereof.

(p) Tax Withholding.

(i) Each of Parent, Buyer, the Surviving Entity, the Paying Agent and the Escrow Agent, as the case may be, shall be entitled to deduct and withhold from the consideration otherwise payable pursuant to this Agreement, such amounts as they reasonably determine, upon the advice of counsel or tax advisor, are required to be deducted or withheld therefrom under applicable Legal Requirements. Any withholding in respect of the Parent Ordinary Shares issued to a Company Equityholder may be made out of such Person's portion of the Aggregate Cash Consideration; provided, however, that in the event that the portion of the Aggregate Cash Consideration payable to a Person is not sufficient to cover the amount required to be withheld under this Agreement with respect to such Person, then such Person shall, as a condition to the receipt of any portion of its Aggregate Merger Consideration to which it is entitled, remit to the Paying Agent, to Parent or to Buyer or the Escrow Agent, as applicable, such amount as demanded by them in order to satisfy such tax withholding shortfall.

(ii) Any amounts so withheld shall be remitted by Parent, Buyer, the Surviving Entity, the Paying Agent or the Escrow Agent, as the case may be, to the appropriate Governmental Entity and, to the extent so remitted, shall be treated for all purposes as having been paid to a Company Equityholder or other Person entitled to receive any portion of the Aggregate Merger Consideration pursuant to the terms of this Agreement in respect of whom such deduction and withholding was made.

(iii) In the case of any amounts withheld in accordance with the provisions hereof, the withholding party shall promptly provide to the Company Equityholders from which such amounts were withheld written confirmation of the amount so withheld.

(q) Treatment of Post-Closing Payments. No right or interest in any Earnout Payment Amount, Escrow Amount, Holdback Share Consideration, a Working Capital Excess or similar payments due following Closing (each a "Post-Closing Payment" and, collectively, the "Post-Closing Payments") or proceeds therefrom, may be assigned or otherwise transferred by any Company Equityholder, other than by the laws of descent and distribution or succession, without the prior written consent of Parent and Buyer.

(r) Transfer Taxes. All transfer, documentary, sales, use, stamp, registration and such other Taxes and fees (including any penalties and interest), if any, imposed on any Company Equityholder or other Person entitled to receive any portion of the Aggregate Merger Consideration pursuant to the terms of this Agreement shall be borne and paid by such Company Stockholder or Person.

(s) Exemption From Registration; Certificate Legends; Lock-Up.

(i) The Parties acknowledge and agree that each Parent Ordinary Share that forms part of the Aggregate Share Consideration to be issued pursuant to Section 1.8 hereof shall constitute "restricted securities" pursuant to Rule 144 under the Securities Act and shall bear the following legend:

"THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR ANY STATE LAW, AND MAY NOT BE SOLD, TRANSFERRED, ASSIGNED OR HYPOTHECATED UNLESS THERE IS AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT COVERING SUCH SECURITIES, OR THE COMPANY RECEIVES AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE COMPANY STATING THAT SUCH SALE, TRANSFER, ASSIGNMENT OR HYPOTHECATION IS EXEMPT FROM THE REGISTRATION AND PROSPECTUS DELIVERY REQUIREMENTS OF THE SECURITIES ACT.

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE RESTRICTIONS SET FORTH IN THE AGREEMENT AND PLAN OF MERGER DATED MARCH 5, 2015 (THE "AGREEMENT"). THE SHARES REPRESENTED BY THIS CERTIFICATE MAY NOT BE SOLD OR OTHERWISE TRANSFERRED EXCEPT IN COMPLIANCE WITH THE AGREEMENT, A COPY OF WHICH IS AVAILABLE AT NO COST UPON REQUEST FROM THE SECRETARY OF THE COMPANY."

(ii) The Parties further acknowledge and agree that each Company Equityholder will not, during the period ending nine (9) months after the Closing Date, offer, pledge, sell, contract or agree 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 (each, a "Transfer"), any of the Closing Share Consideration issuable to such Company Stockholder hereunder (the "Lock-Up Shares"); *provided that* (a) starting three months after the Closing Date, it may Transfer up to 33.3% of the Lock-Up Shares, and (b) starting six months after the Closing Date, it may Transfer up to additional 33.3% of the Lock-Up Shares; *provided further that* (i) nothing in the foregoing shall prohibit the Company Equityholders from Transferring the Parent Ordinary Shares to any Affiliate where the Company Equityholder and such Affiliate each agree to be bound by the representations, warranties and covenants applicable to the Company Equityholder in this Agreement (and where the transferor was a Principle Stockholder, also the Stockholder Support Agreement), and (ii) for the sake of clarity, any such Affiliate shall make for the benefit of Parent the representations and warranties set forth in the Investor Representation Statement. In furtherance of the foregoing, Parent and any duly appointed transfer agent for the registration of transfer of the securities described herein are hereby authorized to decline to register any transfer of securities if such transfer would constitute a violation or breach of this Agreement.

(iii) Anything to the contrary herein notwithstanding, Parent shall not be obligated to issue any portion of the Aggregate Share Consideration to any Person unless such Person is a Company Equityholder who has delivered to Parent prior to the Closing Date a duly completed and signed Investor Representation Statement. Except as decided otherwise by Parent at its sole and absolute discretion (and without derogating from Section 1.8(a)(iv) hereof), the failure by such Person to provide such Investor Representation Statement will result in such Person not being issued any portion of the Aggregate Share Consideration which otherwise may have been issued to it (without affecting the allocation of the balance of the Aggregate Share Consideration according to the Final Payment Spreadsheet nor, for the sake of clarity, any increase in the Aggregate Cash Consideration).

Section 1.9 Plan of Reorganization. Without derogating from Section 5.11(a)(ii), this Agreement shall constitute a "plan of reorganization" for the Merger for purposes of Section 368 of the Code.

ARTICLE II

Representations and Warranties of the Company

Except as set forth in the disclosure schedule delivered by the Company to Parent and Buyer concurrently with the execution of this Agreement, setting forth specific exceptions to the Company's representations and warranties set forth herein (the "Company Disclosure Schedule"; which shall be arranged in paragraphs corresponding to the numbered and lettered paragraphs and sub-sections contained in this Article II; it being understood that each such disclosures shall qualify (i) the corresponding paragraph or sub-section in this Article II and (ii) the other paragraphs in this Article II to the extent reasonably apparent from a reading of such disclosure that it also qualifies or applies to such other paragraphs), the Company hereby represents and warrants to Parent, Buyer, Merger Sub 1 and Merger Sub 2, on the date hereof and as of the Closing Date, as follows:

Section 2.1 Organization and Standing; Subsidiaries. (a) The Company is a corporation duly organized, validly existing and in good standing under the laws of Delaware, has the requisite power and authority to own, lease, license, use and operate its assets and properties and to carry on its business as now being conducted. The Company is duly qualified, licensed or admitted to do business and, in jurisdictions where such concept is recognized, is in good standing in each jurisdiction in which the nature of its business or the ownership, leasing, license, use or operation of its assets and properties makes such qualification, licensing or admission necessary, except where the failure to be so qualified, licensed or admitted would not have a Material Adverse Effect. Section 2.1(a) of the Company Disclosure Schedule sets forth each jurisdiction where the Company is so qualified, licensed or admitted to do business and each other state, province or country in which the Company has customers or currently sells, or in the past 24 months has sold, its products or services, or has Employees or engages independent contractors and/or freelances on a full-time basis. The copies of the certificate of incorporation and bylaws of the Company (the "Organizational Documents") attached to Section 2.1(a) of the Company Disclosure Schedule are true, complete and correct copies of such documents as in effect on the date of this Agreement and have not been amended since the date hereof, and the Company is not in violation of any provision of any of its Organizational Documents.

(b) The Company does not have and has not ever had a Subsidiary and the Company does not own or control and has never owned or controlled, directly or indirectly, any equity or similar interest in, or any interest convertible into or exchangeable or exercisable for any equity or similar interest in, or have any commitment or obligation to invest in, purchase any securities or obligations of, fund, guarantee, contribute or maintain the capital of or otherwise financially support any, corporation, partnership, joint venture or other business association or entity.

(c) The names of each director and officer of the Company, date of commencement and his or her position with the Company on the date hereof are listed in Section 2.1(c) of the Company Disclosure Schedule.

Section 2.2 Authority; No Conflicts. (a) The Company has all requisite corporate power and authority to (i) own, lease, license and use its properties and assets and carry on its business as now being conducted and as currently proposed to be conducted; (ii) execute and deliver this Agreement and the other agreements set forth in the exhibits hereto (collectively, the "Ancillary Agreements") to be executed and delivered by the Company as contemplated hereby; and (iii) consummate and perform the transactions contemplated hereby and thereby. The execution, delivery and performance of this Agreement, and the Ancillary Agreements executed and delivered by the Company as contemplated hereby, and the consummation of the transactions contemplated hereby and thereby, have been duly authorized by the Company's Board of Directors (the "Company Board") and (upon the receipt of the Required Votes), the Company Stockholders, and no other corporate (including stockholder) action on the part of the Company or its stockholders is necessary to authorize the performance of this Agreement and the Ancillary Agreements by the Company and the consummation of the transactions contemplated hereby and thereby. This Agreement and the Ancillary Agreements to be executed and delivered by the Company as contemplated hereby, when delivered in accordance with the terms hereof, assuming the due execution and delivery of this Agreement and each other Ancillary Agreements by the other parties hereto and thereto, shall have been duly executed and delivered by the Company and shall be valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, except to the extent that their enforceability may be subject to applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and to general equitable principles.

(b) The execution and delivery of this Agreement by the Company does not, the execution and delivery by the Company of the Ancillary Agreements to be executed and delivered by the Company as contemplated hereby will not, and the consummation and performance by the Company of the transactions contemplated hereby (including, for the sake of clarity, by virtue of Merger 1 and Merger 2) and thereby will not, result in a violation or breach of, conflict with, constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, modification, cancellation, payment or acceleration) under, or result in the creation of any Lien on any of the properties or assets of the Company under: (i) any provision of the Organizational Documents of the Company; (ii) any Legal Requirement applicable to the Company or by which any of its properties or assets is bound; or (iii) in any material respect any of the terms, conditions or provisions of any Contract to which the Company is a party or by which it is bound.

(c) The only votes or written consents of any class or series of the Company Capital Stock necessary to adopt this Agreement and approve the Merger and the other transactions contemplated hereby and described herein, are the affirmative vote or written consent of holders of at least a majority of the outstanding shares of (i) Company Capital Stock voting together as a single class and on an as-converted basis and (ii) Company Preferred Stock (the "Required Votes"). The Stockholders Written Consent, when executed and delivered by the Required Votes, 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 Organizational Documents and applicable Legal Requirements.

(d) The Company Board has unanimously (i) adopted and approved this Agreement, the Ancillary Agreements and the Merger, (ii) determined that the transactions contemplated herein and therein are advisable and in the best interests of the Company Stockholders and on terms that are fair to such Company Stockholders and (iii) resolved to recommend that the Company Stockholders approve this Agreement, the Ancillary Agreements and the Merger, and none of the aforesaid actions by the Company Board has been amended, rescinded or modified.

Section 2.3 Capitalization. (a) As of the date hereof, the authorized capital stock of the Company consists of (i) 5,110,000 shares of Company Common Stock and (ii) 4,310,000 shares of Company Preferred Stock, 2,150,000 of which are designated Company AA Preferred Stock, 250,000 of which are designated Company AA-1 Preferred Stock and 1,910,000 of which are designated Company AA-2 Preferred Stock.

(b) As of the date hereof and as of the Closing Date, the outstanding capital stock of the Company (on a fully diluted basis) consists of: (i) 454,274 shares of Company Common Stock, (ii) 1,250,000 shares of Company AA Preferred Stock, (iii) 145,442 shares of Company AA-1 Preferred Stock, (iv) 1,909,244 shares of Company AA-2 Preferred Stock, (v) 263,019 Company Stock Options to purchase an aggregate of 263,019 shares of Company Common Stock, and (vi) zero Company Warrants. No shares of Company Capital Stock are issued or held in the treasury of the Company. Section 2.3(b) of the Company Disclosure Schedule sets forth a true, correct and complete list of (i) all of the issued and outstanding share capital of the Company, on an actual basis and on an as-converted and as-exercised basis, taking into consideration any and all convertible or exchangeable securities and other interests in the Company, and (ii) the owners, beneficially and of record, of such securities.

(c) All outstanding shares of capital stock or other equity securities of the Company have been duly authorized and validly issued and are fully paid and non assessable. No shares of capital stock or other equity interests of the Company are entitled to or have been issued in violation of any preemptive rights. All outstanding shares of Company Capital Stock have been issued in compliance with all applicable Legal Requirements, and were issued, transferred in accordance with any right of first refusal or similar right or limitation, including those in the Organizational Documents. There are no declared or accrued but unpaid dividends with respect to any Company Capital Stock. The Company does not own any share capital of the Company.

(d) Section 2.3(b) of the Company Disclosure Schedule and the Final Payment Spreadsheet contains a complete and correct list of (x) the holders of all outstanding Company Capital Stock, the number and class/series of shares of Company Capital Stock held by each such holder, the number of shares of Common Stock into which the outstanding shares of Company Preferred Stock are convertible and the number of the applicable stock certificates representing such shares, and (y) each outstanding Company Stock Option and Company Warrant. Section 2.3(d) of the Company Disclosure Schedule contains a true and correct copy of the stock ledger of the Company. The allocation of the Aggregate Merger Consideration, as set forth in the Final Payment Spreadsheet, is consistent, in all respects, with the Organizational Documents.

(e) Other than the Company Stock Options and Company Warrant set forth in Section 2.3(b) of the Company Disclosure Schedule and the Final Payment Spreadsheet (and the option agreements and warrants evidencing such Company Stock Options or Company Warrants, true and complete copies of which have been made available to the Parent and Buyer), the Company is not a party to any outstanding or authorized option, warrant, right (including any preemptive right), subscription, claim of any character, agreement, obligation, convertible or exchangeable securities, Contract or other commitments contingent or otherwise, relating to the capital stock or other equity or voting interests in the Company, pursuant to which the Company is or may become obligated to issue, deliver or sell or cause to be issued, delivered or sold, shares of capital stock of or other equity or voting interests in, the Company or any securities convertible into, exchangeable for, or evidencing the right to subscribe for or acquire, any shares of the capital stock of or other equity or voting interests in the Company. There are no outstanding or authorized stock appreciation, phantom stock, profit participation or similar rights with respect to the capital stock of, or other equity or voting interests in, the Company. The Company does not have any authorized or outstanding bonds, debentures, notes or other indebtedness the holders of which have the right to vote (or convertible into, exchangeable for, or evidencing the right to subscribe for or acquire securities having the right to vote) with the stockholders of the Company on any matter. There are no irrevocable proxies and no voting agreements with respect to any capital stock of, or other equity or voting interests in, the Company.

(f) The information contained in the Final Payment Spreadsheet will be complete and correct as of the Closing Date.

Section 2.4 Financial Statements; Undisclosed Liabilities. (a) Attached hereto as Section 2.4(a) of the Company Disclosure Schedule are true, correct and complete copies of (i) the audited, consolidated balance sheet of the Company as at December 31, 2014 (the "Balance Sheet Date"), including the related audited statements of income, stockholders' equity and cash flows, retained earnings and changes in financial position for the fiscal years ended December 31, 2013, December 31, 2012, and December 31, 2011, together with the audit opinion thereon of Aronson LLC (the "CPA"), and (ii) the interim unaudited reviewed consolidated balance sheet of the Company as at December 31, 2014 (the "Interim Balance Sheet"), and the related interim unaudited consolidated statements of income, stockholders' equity and cash flows, retained earnings and changes in financial position for the twelve (12) months then ended. The financial statements referred to above, including the footnotes thereto (collectively the "Financial Statements") have been prepared in accordance with GAAP consistently followed throughout the periods indicated and reviewed by the CPA (except as described therein, and in the case of interim Financial Statements, except for the absence of notes thereto and subject to normal year-end audit adjustments which are not expected to be material).

(b) The Financial Statements fairly present the consolidated financial condition of the Company, including the results of its operations, for the periods covered thereby (subject to normal year-end adjustments in the case of any unaudited interim financial statements and except that any unaudited interim financial statements do not contain all required footnotes).

(c) Since the Balance Sheet Date, except for Liabilities (i) specified in the Interim Balance Sheet or (ii) incurred in the ordinary course of business and consistent with past practice and which, in the aggregate, do not exceed $50,000, the Company has not incurred any Liabilities that would be required by GAAP to be reflected on a balance sheet of the Company (including the notes thereto). There are no off balance sheet arrangements that have or are reasonably likely to have a current or future effect on the financial condition, including results of operations and liquidity, of the Company.

(d) The Company (i) makes and keeps accurate books and records that fairly reflect in all material respects the transactions and dispositions of assets of the Company, and (ii) maintains internal accounting controls which provide reasonable assurance that transactions are recorded as necessary to permit preparation of its financial statements in conformity with GAAP. In the past three years, there has been no disagreement with the CPA in connection with any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure and no dismissal of independent auditors in connection therewith.

(e) Section 2.4(e) of the Company Disclosure Schedule sets forth a true, complete and correct list of all Company Indebtedness as of the date of this Agreement.

(f) Section 2.4(f) of the Company Disclosure Schedule sets forth a true, complete and correct list of all accounts receivable of the Company as of the date of this Agreement. Subject to any reserves expressly set forth in the Interim Balance Sheet, all accounts receivable of the Company represent current and valid obligations arising from bona fide transactions entered into in the ordinary course of business, are not subject to any valid set-off or counterclaim and do not represent obligations for goods sold on consignment, on approval or on a sale-or-return basis or subject to any other repurchase or return arrangement, and the Company has no Knowledge of the same not being collectible from such third parties within the next 90 days.

(g) The Closing Balance Sheet shows the Company's good faith estimate (based on reasonable assumptions) of the Company's financial position as of the Closing Date, prepared in US dollars, in accordance with GAAP. Section 2.4(g) of the Company Disclosure Schedules sets forth the Company's good faith estimate of the Company Net Working Capital as of the Closing Date, including the Company Cash, the Company Transaction Expenses and the Company Indebtedness.

(h) Section 2.4(h) of the Company Disclosure Schedules sets forth a true, complete and correct list of all accounts payable of the Company as of the date of this Agreement.

Section 2.5 Absence of Certain Changes. Since the Balance Sheet Date, (a) there has not been any event, circumstance, development, state of facts, occurrence, change or effect which has had a Material Adverse Effect and, to the Company's Knowledge, no event, circumstance, development, state of facts, occurrence, change or effect exists or has occurred that would reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect, and (b) the Company has, except with respect to matters related to the transactions contemplated by this Agreement, conducted its business in the ordinary course consistent with past practice. Without limiting the generality of the foregoing and, since the Balance Sheet Date, there has not been any (i) damage, destruction or other casualty loss with respect to any material asset or property owned, leased or otherwise used by the Company, whether or not covered by insurance; (ii) declaration, setting aside or payment of any dividend or other distribution in respect of the capital stock of the Company or any other payment to the Company Stockholders or their Affiliates; (iii) amendment of any term of any outstanding security of the Company; (iv) incurrence, assumption or guarantee by the Company of any Company Indebtedness; (v) creation or assumption by the Company of any Lien on any asset other than in the ordinary course of business consistent with past practices; (vi) loan, advance or capital contribution to, or investment in, any person made by the Company; (vii) except as contemplated by this Agreement, transaction or commitment made, or any contract or agreement entered into, by the Company relating to its assets or business or any relinquishment by the Company of any Contract or other right, in each case, other than in the ordinary course of business consistent with past practice; (viii) change by the Company in its accounting principles, practices or methods, except as required by concurrent changes in GAAP; (ix) any increase of, or an undertaking for, any increase in the compensation payable or that could become payable by the Company to any of its employees, officers or directors; or (x) insurance claim made by or against the Company.

Section 2.6 Compliance with Laws.

(a) The Company has complied with, and is currently conducting, its operations in accordance with applicable Legal Requirement in all material respects. The Company has not received any written notice that any violation of such Legal Requirements is being or may be alleged.

(b) Without derogating from the generality of the foregoing, the Company is in compliance in all respects with (i) the Foreign Corrupt Practices Act (15 U.S.C. §§78dd 1 et seq.) and any other international anti bribery conventions and local anti corruption and anti bribery laws in jurisdictions in which the Company does business, (ii) Export Control and Import Laws, and (iii) applicable Legal Requirements in any country in which the Company Products are now sold, provided or licensed for use, relating to development, or engagement in, encryption technology (including, data encryption, key management, password protection, or authentication), technology with military applications, or other technology whose development, commercialization or export is subject to any applicable Legal Requirements.

Section 2.7 Permits. The Company has obtained all permits, approvals, licenses, consents, authorizations, certificates, grants, rights, exemptions, orders or other authorizations from Governmental Entities that are material or necessary for the operation of the business of the Company, or that are material or necessary for the lawful ownership or operation of its properties and assets (collectively, the "Permits"). A true and complete list of such Permits is set forth in Section 2.7 of the Company Disclosure Schedule. The Company has delivered or made available to Parent for inspection a true and correct copy of each Permit. The Company has been and currently is in compliance in all material respects with all such Permits and all such Permits are valid and in full force and effect and have not lapsed, been cancelled, terminated or withdrawn. No proceeding to modify, suspend, revoke, withdraw, terminate or otherwise limit any such Permit is pending, or, to the Knowledge of the Company, threatened and, to the Knowledge of the Company, there are no facts or circumstances that, either alone or in together with other facts and circumstances, could reasonably be expected to provide valid basis for any such claims. No administrative or governmental action or proceeding has been taken, or, to the Knowledge of the Company, threatened, in connection with the expiration, continuance or renewal of any such Permit.

Section 2.8 Litigation. There is no private or governmental action, suit, proceeding, inquiry, claim, charge, arbitration, investigation or any administrative or other proceeding (each, a "Legal Proceeding") pending before, against or by any Governmental Entity or any other Person, or, to the Knowledge of the Company, threatened, against the Company, or any of its properties, assets or rights. The Company is not, nor to the Knowledge of the Company, any of its directors, officers or employees (in their capacities as such), is subject to any Order (i) restricting the operation of the business of the Company, or (ii) that seeks to prevent, enjoin, alter or delay any of the transactions contemplated by this Agreement or the Ancillary Agreements. There is no litigation that the Company has pending or is currently planning to commence against any other party. Section 2.8 of the Company Disclosure Schedule sets forth a list of all Legal Proceedings and cease-and-desist letters involving the Company since January 1, 2010 (or earlier if still pending).

Section 2.9 Benefit Plans.

(a) Set forth in Section 2.9(a) of the Company Disclosure Schedule is an accurate and complete list of each Benefit Plan. For purposes of this Agreement, "Benefit Plans" include each employee benefit plan (within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) and each equity based compensation, incentive, bonus, profit sharing, savings, deferred compensation, health, medical, dental, life insurance, disability, accident, supplemental unemployment or retirement or fringe benefit plan or program maintained by the Company or to which the Company (including for purposes of this Section 2.9 all employers that would be treated together with the Company as a single employer within the meaning of Section 414 of the Code) contributes (or has any obligation to contribute) has or could have any liability or is a party.

(b) Each Benefit Plan is in material compliance with all applicable Legal Requirements and has been administered and operated in all material respects in accordance with its terms. The Company has no Knowledge of the occurrence of any non-exempt prohibited transaction, as defined in Section 4975 of the Code or Section 406 of ERISA, with respect to any Benefit Plan.

(c) Each Benefit Plan which is intended to be "qualified" within the meaning of Section 401(a) of the Code has received a favorable determination or opinion letter from the IRS as to such qualified status, and no event has occurred and no condition exists which could be reasonably expected to result in the revocation of the qualified status of any such plan.

(d) Each Benefit Plan and each employment, severance, change in control or other compensatory agreement with any Service Provider, is compliant, in form and in operation, with Section 409A of the Code, to the extent applicable. The Company is not a party to, or otherwise obligated under, any Contract, arrangement or policy that provides for the gross-up of Taxes imposed by Section 409A(a)(1)(B) of the Code.

(e) No Benefit Plan has assets that include securities issued by the Company.

(f) No Benefit Plan is covered by Title IV of ERISA or subject to Section 412 of the Code or Section 302 of ERISA.

(g) No Benefit Plan is a "multiple employer plan" (within the meaning of the Code or ERISA). Neither the Company nor any affiliated employer that would be treated together with the Company as a single employer within the meaning of Section 414 of the Code is or ever has been a party to any multiemployer plan, within the meaning of Section 4001(a)(3) of ERISA, or made contributions to any such plan.

(h) Full payment has been timely made of all amounts which the Company is required under applicable Legal Requirements or under any Benefit Plan or related agreement to have paid, and the Company has timely deposited all amounts withheld from Employees into the appropriate trusts, funds or accounts. The Company has made adequate provisions, in accordance with GAAP in their books and records for all Liabilities under all Benefit Plans that have accrued but have not been paid because they are not yet due under the terms of any such Benefit Plan or any related agreement or applicable Legal Requirement. Since the Balance Sheet Date, no event has occurred or condition exists that would reasonably be expected to result in a material increase in the level of such amounts paid or accrued for the most recently ended fiscal year.

(i) No Benefit Plan provides for post-employment or retiree health, life insurance or other welfare benefits, except as required by the Consolidated Omnibus Budget Reconciliation Act ("COBRA").

(j) The execution of this Agreement and the consummation of the transactions contemplated hereby do not constitute a triggering event under any Benefit Plan or agreement with any current or former Employee and/or adviser or consultant of the Company (a "Consultant", and together with Employees, "Service Providers"), which (either alone or upon the occurrence of any additional or subsequent event) will or may result in any payment, "parachute payment" (as such term is defined in Section 280G of the Code), severance, bonus, retirement or job security or similar type benefit, or increase any benefits or accelerate the payment, vesting or funding of any benefits to any Service Provider.

(k) No Service Provider will be entitled to any payment, benefit or right or any accelerated, vested or increased payment, benefit or right as a result of such Employee's, former Employee's or director's or Consultant's termination or the execution of this Agreement or the consummation of the transactions contemplated hereby. No Benefit Plan provides for the payment of change in control or similar type payments or benefits. Neither the execution of this Agreement nor the consummation of the transactions contemplated hereby will require accelerated funding by the Company of any Benefit Plan or give rise to any liability of the Company in connection with any Benefit Plan.

(l) No liability, claim, action, litigation, audit, examination, investigation or proceeding has been made, commenced or, to the Knowledge of the Company, threatened with respect to any Benefit Plan which could result in a material liability of the Company or any Affiliate thereof.

(m) Except as required to maintain the tax qualified status of any Benefit Plan intended to qualify under Section 401(a) of the Code, no condition or circumstance exists that would prevent the amendment or termination of any Benefit Plan.

(n) The Company has classified correctly all individuals who perform services for them under all applicable Legal Requirements as common law employees, independent contractors or leased employees.

(o) The Company has delivered or made available to Parent true and complete copies of each Benefit Plan, together with all amendments thereto, and all contracts and agreements relating to each Benefit Plan, as well as the most recent actuarial reports, reviewed financial statements and annual report on Form 5500 filed with the U.S. Internal Revenue Service with respect to such Benefit Plans for which such report was required by applicable Legal Requirement.

(p) There have been no acts or omissions by the Company that have given rise to or could reasonably be expected to give rise to material fines, penalties, taxes or related charges under Sections 502(c), 502(i) or 4071 of ERISA or Chapter 43 of the Code for which the Company may be liable.

(q) There are no claims (other than routine claims for benefits) pending or, to the Company's knowledge, threatened, involving any Benefit Plan or the assets of any Benefit Plan.

(r) Neither the Company nor any of its directors, officers, employees or any other fiduciary has committed any breach of fiduciary responsibility imposed by ERISA that would subject the Company or any of its directors, officers or employees or any other fiduciary to liability under ERISA.

Section 2.10 Labor Matters.

(a) The Company is currently conducting and has conducted its operations in compliance with any Legal Requirement, agreement (whether written or oral, including Collective Bargaining Agreements), plan, custom and program applicable to the Company relating to labor or employment relations and practices (including terms and conditions of employment, wage and payment for overtime, immigration and occupational safety and health).

(b) The Company is not a member of any employers' organization, nor is the Company a party or subject to any Collective Bargaining Agreement. No Employee is represented by any Employee Representatives or is subject to any Collective Bargaining Agreement and/or extension orders. No Collective Bargaining Agreement is or was negotiated. The Company is not subject to any pending, or, to the Knowledge of the Company, threatened or anticipated demand for recognition or certification by any labor organization, and there are no representation or certification proceedings, petitions seeking a representation proceeding or Employee Representatives' elections with respect to the Company presently pending or, to the Knowledge of the Company, threatened or anticipated to be brought or filed with the National Labor Relations Board or any other labor relations tribunal or authority.

(c) There are no pending or, to the Knowledge of the Company, threatened or anticipated and there have been no strikes, lockouts, Employee Representative organization activities (including Employee Representative organization campaigns or requests for representation), pickets, slowdowns or stoppages in respect of the business of the Company.

(d) There are no pending or, to the Knowledge of the Company, threatened, legal actions, lawsuits, arbitrations, administrative or other proceedings, charges, complaints, investigations, inspections, audits or notices of violations or possible violations brought by or on behalf of, or otherwise involving, any Employee, any Person alleged to be a an Employee, any applicant for employment, or any class of the foregoing, or any Governmental Entity, that involve the labor or employment relations and practices of the Company (collectively, "Labor Actions"). To the Knowledge of the Company, there are no facts or circumstances that, either alone or together with other facts and circumstances, could reasonably be expected to provide valid basis for any such Labor Actions.

(e) The Company has not been affected by any transaction or engaged in layoffs or employment terminations sufficient in number to trigger application of the Federal Worker Adjustment and Retraining Notification Act or any similar Legal Requirement (including, but not limited to, any state Legal Requirement relating to plant closings or mass layoffs or any non-U.S. Legal Requirement dealing with collective dismissals, mass terminations, reductions in force, plant closings or mass layoffs) (collectively, "WARN") during the last six (6) years. The Company is and has been in compliance with WARN, and the Company has not incurred any liability or obligation under WARN which remains unsatisfied.

(f) All Employees are "at-will" employees. Section 2.10(f) of the Company Disclosure Schedule is a complete and accurate list of all the Employees as of the date hereof and showing with respect to each such Employee the following terms: name, position/title, location, salary, commissions (if any), company car, entitlement of vacation days and accrual, notice of termination period, any outstanding loans, terms and classification of Company Stock Options and all terms of any bonus and/or commission (including upon termination). No Employee is entitled to any sales commission or bonus following termination (for whatever reason) of employment or engagement, as the case may be, except for sales commission and/or bonus earned, if any, by such Employee for the period prior to termination (and which are reflected in the Closing Balance Sheet).

(g) Without limiting any other representations and warranties contained in this Section 2.10, with respect to all Employees:

(i) no Employee's employment by the Company requires any special license, permit or other approval by a Governmental Entity;

(ii) there are no unwritten policies, practices or customs of the Company that, by extension, could reasonably be expected to entitle any Employee to benefits in addition to what such Employee is entitled to by applicable Legal Requirement or under the terms of such Employee's engagement Contract (including unwritten customs or practices concerning bonuses and the payment of statutory severance pay when it is not required under applicable Legal Requirement); and

(iii) all amounts that the Company is legally or contractually required either: (A) to deduct from Employees' salaries or to transfer to their Employees' pension, severance, life insurance, incapacity insurance, advanced study fund or other similar funds; or (B) to withhold from their Employees' salaries and benefits and to pay to any Governmental Entity as required by the applicable Tax Legal Requirement, have, in each case, been duly deducted, transferred, withheld and paid, and the Company does not have any outstanding obligation to make any such deduction, transfer, withholding or payment (other than outstanding obligation with respect to routine payments, deductions or withholdings that are not yet due and which will be timely made on or prior to the due date thereof).

(h) No Person has any agreement with the Company under which that Person acts as an independent contractor or consultant, for the Company, whether on a full time or a part time or retainer basis or otherwise. All Contracts with the Employees are in writing and the Company has delivered or made available to Parent (i) copies of the standard forms of employment agreement or offers entered with Employees (the "Form of Employment Agreement"); (ii) copies of all currently effective written Contract (or true and complete written summaries with respect to oral Contracts) with Employees, except with respect to Employees who entered into a Form of Employment Agreement (with respect to whom, the specific terms thereof are listed in Section 2.10(f) of the Company Disclosure Schedule); and (iii) copies of currently effective written manuals and written policies relating to the employment of Employees, as may be applicable. None of the Employees is or was engaged through a professional employer organization or other forms of human resource outsourcing contractors.

Section 2.11 Tax Matters.

(a) The Company has timely filed (or will timely file) or caused (or will cause) to be filed all returns, statements, forms and reports (including, elections, declarations, disclosures, schedules, estimates and informational tax returns) for Taxes (each, a "Return") that are required to be filed by, or with respect to, the Company on or prior to the Closing Date (taking into account any applicable extension of time within which to file). The Returns are (or will be) true, correct and complete, and have accurately reflected (or will accurately reflect) all Liability for Taxes of the Company for the periods covered thereby.

(b) All Taxes and Tax Liabilities of the Company that are due and payable with respect to Tax periods ending on or before the Closing Date have been (or will be) timely paid or reserved for in the Financial Statements by the Company on or prior to the Closing Date.

(c) The Company is not currently nor has the Company been during the last seven (7) years the subject of an audit or other examination relating to the payment of Taxes of the Company by the Tax authorities of any nation, state or locality nor has the Company received during the last seven (7) years any written notices from any Tax authority that such an audit or examination is pending.

(d) The Company (i) has not entered into an agreement or waiver extending any statute of limitations relating to the payment or collection of Taxes of the Company that has not expired and (ii) is not presently contesting any Tax liability of the Company before any Governmental Entity.

(e) The Company has not been included in any "consolidated", "unitary" or "combined" Return provided for under the Legal Requirement of the U.S., any non U.S. jurisdiction or any state or locality with respect to Taxes for any taxable period for which the statute of limitations has not expired.

(f) All Taxes that the Company is (or was) required by Legal Requirement to withhold or collect in connection with amounts paid or owing to any current or former Employee, creditor, stockholder, member or other Person have been duly withheld or collected, and have been timely paid over to the proper authorities to the extent due and payable.

(g) No written claim has ever been made by any Tax authority in a jurisdiction where the Company does not file Returns that the Company is or may be subject to taxation by that jurisdiction.

(h) The Company was not a "United States real property holding corporation" within the meaning of Section 897(c)(2) of the Code at any time during the five (5) year period ending on the Closing Date.

(i) There are no Tax sharing, allocation, indemnification or similar Contracts (other than commercial agreements the principal purpose of which does not relate to Taxes) in effect as between the Company and any other party under which the Company, Parent or any of the Parent's Subsidiaries could be liable for any Taxes or other claims of any other party.

(j) The Company has delivered or made available to Parent true and complete copies, including all amendments thereto, of each of the Returns for income Taxes filed by or on behalf of the Company since January 1, 2011.

(k) The Company will not 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: (A) a "closing agreement" as described in Section 7121 of the Code (or any corresponding or similar provision of state, local or non U.S. income Tax Legal Requirement); (B) an installment sale or open transaction; (C) a prepaid amount; (D) an intercompany item under Treasury Regulation Section 1.1502-13 or an excess loss account under Treasury Regulation Section 1.1502-19; (E) a change in the accounting method of the Company pursuant to Section 481 of the Code or any similar provision of the Code or the corresponding Tax Legal Requirements of any nation, state or locality or (F) installment sale or open transaction disposition made on or prior to the Closing Date.

(l) During the five (5) year period ending on the date of this Agreement, the Company was not a distributing corporation or a controlled corporation in a transaction intended to be governed by Section 355 of the Code.

(m) "The Company has not engaged in a "reportable transaction" within the meaning of Treasury Regulation Section 1.6011-4(b).

(n) None of the Company Stock Options are subject to Section 409A of the Code.

(o) There has not been any substantial omission or a substantial understatement of United States federal income Tax within the meaning of Section 6501(e) or Section 6662 of the Code, respectively.

(p) The Company has not made or filed an election under Section 108 of the Code.

(q) The Company is and has at all times been resident for Tax purposes in its country of incorporation or formation and is not and has not at any time been a resident in any other country for any income Tax purpose (including any arrangement for the avoidance of double taxation). The Company is not nor was it ever subject to net income Tax in any jurisdiction other than its place of incorporation or formation by virtue of having a branch, permanent establishment, place of control and management or other place of business or by virtue of having a source of income in that jurisdiction.

(r) Intentionally Deleted.

(s) The Company has taken no action and knows of no fact that would reasonably be expected to prevent the Merger from qualifying as a reorganization within the meaning of Section 368(a) of the Code. The Company has taken no action and knows of no fact that would reasonably be expected to cause the Merger to be subject to Section 367(a)(1) of the Code.

(t) The Company has not requested or received a ruling from any Tax authority or signed a closing or other agreement with any Tax authority.

(u) All records which the Company is required under applicable Legal Requirements to keep for Tax purposes have been duly kept (in accordance with all applicable statutory requirements) and are available for inspection at the premises of the Company.

Section 2.12 Intellectual Property.

(a) No Infringement. The operation of the business of the Company has not and does not infringe, misappropriate or otherwise violate, and, when conducted following the Closing in substantially the same manner as conducted on the date hereof, will not infringe, misappropriate or otherwise violate any Intellectual Property Rights of any Person.

(b) Notice. The Company has not received any written notice, claim or demand from, nor is it aware of, any Person (i) challenging the scope, ownership, validity or enforceability of any Company Owned Intellectual Property or (ii) claiming that the Company, any Company Product or Company Owned Intellectual Property infringes, misappropriates or otherwise violates any Intellectual Property Rights of any Person (nor does the Company have Knowledge of any basis therefore).

(c) No Third Party Infringers. To the Knowledge of the Company, no Person is infringing, misappropriating or otherwise violating any Company Owned Intellectual Property. The Company has not asserted or threatened any claim against any Person alleging any infringement, misappropriation or violation of any Company Intellectual Property.

(d) No Order. There are no Orders that restrict the rights of the Company to use, transfer, license or enforce any Company Intellectual Property owned by the Company or, to the Knowledge of the Company, any Intellectual Property or Intellectual Property Rights licensed to the Company; or which grant any third party any right in or to any Company Owned Intellectual Property.

(e) Transaction. Neither this Agreement nor the consummation of the transactions contemplated by this Agreement, whether by operation of law or otherwise, will result in: (i) Parent, any of its Affiliates or the Surviving Entity granting to any third party any incremental right to or with respect to, or non-assertion under, any Intellectual Property Rights owned by, or licensed to, any of them, (ii) Parent, any of its Affiliates or the Surviving Entity, being bound by, or subject to, any incremental non-compete or other incremental restriction on the operation or scope of their respective businesses, (iii) Parent, any of its Affiliates or the Surviving Entity being obligated to pay any incremental royalties or other fees, or offer any incremental discounts, to any third party for any Company Intellectual Property (excluding, for the sake of clarity, increase of royalties or fees as a result of increased sales of Company Products); or (iv) the Company or the Surviving Entity being required under a Contract to procure or attempt to procure from Parent or any of its Affiliates a license grant to or covenant not to assert in favor of any Person for any Company Intellectual Property; *provided*, *however*, that the foregoing representation shall not apply or relate to any Contracts to which Parent or its Affiliates is a party or to which Parent or its Affiliates or their assets or properties are bound other than by reason of this Agreement and the consummation of the Merger. As used in this Section, an "incremental" right, non-compete, restriction, royalty or discount refers to a right, non-compete, restriction, royalty or discount, as applicable, in excess, whether in terms of contractual term, contractual rate or scope, of those that would have been required to be offered or granted by the Company, had the parties to this Agreement not entered into this Agreement or consummated the transactions contemplated hereby.

(f) Development and Assignment of Company Intellectual Property. The Company has taken commercially reasonable steps to obtain, maintain and protect the ownership of, or rights in, as applicable, all Company Owned Intellectual Property. Without limiting the foregoing, the Company has enforced a policy requiring each Employee to execute a valid and binding written agreement Intellectual Property assignment and confidentiality agreement in the form enclosed in Section 2.12(f) of the Company Disclosure Schedule (a "Company Assignment and Confidentiality Agreement"). All current or former Employees contracted by, or on behalf of, the Company have executed a Company Assignment and Confidentiality Agreement, and, to the Knowledge of the Company, no party to any such agreement is in breach thereof. To the extent the Company has acquired ownership of any Intellectual Property or Intellectual Property Rights from any Person not subject to a Company Assignment and Confidentiality Agreement, the Company has obtained a written assignment instrument sufficient to irrevocably transfer all rights in such Intellectual Property or Intellectual Property Rights (including the right to seek past and future damages with respect to such Intellectual Property or Intellectual Property Rights) to the Company and, to the extent reasonably required or appropriate to protect the Company's ownership rights in and to such Intellectual Property and Intellectual Property Rights in accordance with all applicable Legal Requirements, the Company has recorded each such assignment of Intellectual Property or Intellectual Property Rights with the relevant Governmental Entity, including, to the extent applicable, the United States Patent and Trademark Office ("PTO"), or its equivalents in all relevant non-U.S. jurisdictions.

(g) Standards Bodies and Similar Entities. The Company is not obligated to license or otherwise make available any Company Intellectual Property in connection with the activities of or any participation in any forum, consortium, standards body or similar entity. The Company has not made any submission or contribution to, and is not subject to any license or other Contract with, any forum, consortium, standards body or similar entity for a determination of essentiality to or inclusion in an industry standard that would obligate the Company to grant licenses or other rights with respect to any Company Intellectual Property.

(h) Governmental Entities and Institutions. No Company Owned Intellectual Property or Company Product is subject to any order, action, settlement, or "march in" right or similar right of any Governmental Entity that restricts, or that could reasonably be expected to restrict, in any manner the use, transfer or licensing of any Company Owned Intellectual Property by the Company or that may affect the validity, use or enforceability of any Company Product. No Company Intellectual Property or Company Product is subject to any restriction, constraint, control, supervision or limitation as a result of (i) the receipt or use by the Company or any of its respective current or former directors, employees, independent contractors and consultants of any funding, facilities, personnel or support from any Governmental Entity, or any public or private university, college, or other educational institution or research center in the development of any Company Intellectual Property or Company Product, or (ii) the involvement in, contribution to, or creation or development of any Company Intellectual Property or Company Product by any current or former director, officer, or independent contractor of the Company who performed services for or held any position with any Governmental Entity, foundation or any public or private university, college, or other educational institution or research center.

(i) Open Source and Copyleft Materials. (A) Section 2.12(i) of the Company Disclosure Schedule provides an accurate and complete list of all Open Source Software used with and/or in and/or distributed with any Company Product, including in development or testing thereof, which describes the Company Product in which such Open Source Software was or is used, and the applicable license governing the use of such Open Source Software. All use and distribution of Company Products and any Open Source Software by the Company has been in compliance with all Open Source Software licenses applicable thereto, including all copyright notice and attribution requirements. (B) The Company has not used Open Source Software in a manner that (i) causes or requires any Company Product or Company Owned Intellectual Property to be subject to any of the obligations or attributes of Copyleft Licenses; or (ii) causes or requires any Trade Secret of the Company to become publicly disclosed.

(j) Source Code and Other Technology. Section 2.12(j) of the Company Disclosure Schedule identifies each Contract pursuant to which the Company has disclosed or deposited, or is or may be required to disclose or deposit, with an escrow agent or any other Person, any source code that is Company Owned Intellectual Property. No event has occurred, and no circumstance or condition exists, that (with or without notice or lapse of time, or both) will, or would reasonably be expected to, result in the disclosure or delivery by the Company or any Person acting on their behalf to any Person of any source code that is Company Owned Intellectual Property under any Contract, and no such source code or other Technology has been disclosed, delivered or licensed to a third party.

(k) Software. The Software included in any Company Products or in the operation of the business of the Company is free of: (i) any material defects and (ii) any disabling codes or instructions and any "back door," "time bomb," "trojan horse," "worm," "drop dead device," "virus" or other software routines or hardware components that permit unauthorized access or the unauthorized disruption, impairment, disablement or erasure of such Software or related Company Products or Company Intellectual Property (or all parts thereof) or data, except for license keys and any other technical measures designed for similar purposes and described in Section 2.12(r)(ii) of the Company Disclosure Schedule.

(l) Proprietary Information and Trade Secrets. The Company has taken reasonable steps consistent with industry standard practices to safeguard and maintain the secrecy and confidentiality of their Trade Secrets, and any Trade Secrets of third parties provided thereto, according to the laws of the applicable jurisdictions where such Trade Secrets are developed, practiced or disclosed. The Company has not breached any written, binding confidentiality obligations or undertakings to safeguard and maintain the secrecy and confidentiality of any Trade Secrets of third parties provided thereto.

(m) Privacy. There has been no: (i) unauthorized access to any personally identifiable information collected or processed by the Company and/or on its behalf during the time in which such information is stored by Company; or (ii) unauthorized disclosure of, or other misuse of any personally identifiable information collected, accessed or processed by the Company and/or on its behalf. The Company has at all times complied in all respects with applicable Legal Requirements and Company policies relating to privacy and data retention and protection.

(n) Company Intellectual Property. Section 2.12(n) of the Company Disclosure Schedule separately sets forth with respect to each item of Company Registered Intellectual Property, if any: (i) for each patent and patent application, the patent number or application serial number for each jurisdiction in which filed, date issued and filed, and present status thereof; (ii) for each registered trademark, trade name, service mark or service name or application for registration of any of the foregoing, the application serial number or registration number, by country, province and state, and the class of goods covered, the nature of the goods or services, as well as a list of all common law trademarks, trade names, trade dress, service marks and service names used by the Company, including a list of applicable jurisdictions; (iii) for any URL or domain name, the registration date, any renewal date and name of registry; (iv) for each copyright registration or application, the number and date of such registration or application by country, province and state, as well as a list of all material copyrights for which a copyright application has not been filed; and (v) for each registered mask work, the registration number and date of registration, for each by country, province and state. The Company exclusively owns all right, title, and interest (including the right to enforce), free and clear of all Liens, in and to all Company Registered Intellectual Property specified in Section 2.12(n) of the Company Disclosure Schedule or any other Company Intellectual Property that the Company purports to own, and with respect to Company Registered Intellectual Property, is listed in the records of the appropriate United States, state or non-U.S. authority as the sole owner for each item thereof.

(o) Rights to Use Intellectual Property. The Company owns, or has a valid and enforceable right or license to use, all Intellectual Property used in the conduct of the Company's business as presently conducted (except that the preceding sentence shall not be deemed a representation or warranty as to non-infringement by the Company of Intellectual Property Rights, which is covered by Section 2.12(a) above).

(p) Validity and Enforceability. (i) The Company Registered Intellectual Property is subsisting, in full force and effect, and is valid and enforceable (except for pending applications or registrations), (ii) no Company Registered Intellectual Property has expired (other than in accordance with applicable statutory terms) or been cancelled or abandoned, and (iii) all necessary registration, maintenance and renewal fees currently due have been paid, and all necessary documents, recordations and certificates have been filed, for the purposes of maintaining the Company Registered Intellectual Property, and (iv) each of the patents and patent applications within the Company Registered Intellectual Property has been prosecuted in compliance with all applicable rules, policies, and procedures of the PTO or applicable non-U.S. patent agencies, and, to the Knowledge of the Company, there is no information that would preclude the Company from having title to such patent applications and to the patents that have issued or that may issue therefrom. Section 2.12(p) of the Company Disclosure Schedule sets forth all actions that must be taken by the Company within ninety (90) days from the date hereof, including the payment of any registration, maintenance, renewal fees, annuity fees and taxes or the filing of any documents, applications or certificates for the purpose of maintaining, perfecting or preserving or renewing any Company Registered Intellectual Property.

(q) Sufficiency. The Company owns or has valid licenses to (and immediately following the Closing will own or will be validly licensed on identical terms and conditions) Intellectual Property Rights and rights to use Intellectual Property sufficient to conduct the business of the Company as presently conducted.

(r) Products. The Company Products conform to, and comply with, in all material respects, with all applicable contractual commitments and all express (and implied, if any) representations and warranties which were provided to any licensees in respect thereof and with all regulations, certification standards and other requirements of any applicable Governmental Entity and do not contain (i) any material defects or errors that have not been disclosed in Section 2.12(k)(i) of the Disclosure Schedule, (ii) viruses, including any trojan horse, worm, harmful or disruptive component, or computer programming code intentionally constructed to damage, interfere with or otherwise adversely affect other codes, computer programs, data files or operations, except for technical measures and features that are expressly documented in the source code and that are designated to prevent unauthorized use of software, and (iii) any code that would disable or shut down, in whole or in part, any material computer program, including any device or method that permits any person to circumvent the normal security of the Software, except for license keys and any other technical measures designed for similar purposes and described in Section 2.12(r)(ii) of the Company Disclosure Schedule. To the Company's Knowledge there are no, and since January 1, 2012 there were no, (i) warranty claims against the Company which may result in any material expenditure by the Company (including rights to refund or return) and/or (ii) rejection by any customer of a Company Product, and, to the Company's Knowledge, there is no basis for the foregoing. There is not under consideration by the Company, nor has there been, any Company Product recall or post sale warning of a material nature concerning any Company Product. No customer or licensee of Company Products is or shall be entitled to refund for any fees paid or payable for Company Products or services due to events that took place prior to Closing.

Section 2.13 Material Contracts. (a) Section 2.13(a) of the Company Disclosure Schedule sets forth an accurate and complete list (arranged in paragraphs corresponding to the numbered paragraphs contained in this Section 2.13(a)) of the following Contracts (each such Contract required to be set forth, a "Material Contract") to which the Company is a party:

(i) all customer Contracts, including, without limitation, all license, development, maintenance, support and professional services, and reseller Contracts, that (i) have been entered into in the past three years, (ii) that deviates from the customary form of Company EULA, customary Maintenance Agreement, Software License Agreement, Proof of Concept Agreement, Reseller Agreement, Master Services Agreement, Alliance Agreement or Referral Agreement (in each case, in the form made available by the Company to Buyer prior to the date hereof) in any material respect, or (iii) the Company reasonably expects will provide payments to the Company of $50,000 or more in 2015;

(ii) all Contracts under which the Company is obligated to provide any maintenance, support or professional services with respect to any Company Products that are no longer marketed by the Company;

(iii) all Contracts with suppliers and service providers of the Company that involve the performance of services for, or delivery of goods or materials to, the Company under which the Company is obligated to make payments of more than $20,000, excluding Contracts with any employees and independent contractors engaged on a full-time basis;

(iv) all Contracts involving a loan (other than accounts receivable owing from trade debtors in the ordinary course of business) or advance to (other than travel and entertainment advances to the Employees extended in the ordinary course of business), or investment in, any Person or any Contract relating to the making of any such loan, advance or investment;

(v) all Contracts involving Company Indebtedness or granting or evidencing a Lien on any property or asset of the Company;

(vi) all Contracts under which any Person (other than the Company) has directly or indirectly guaranteed Company Indebtedness;

(vii) all Contracts with any Governmental Entity, including all Government Contracts;

(viii) all Contracts involving the lease of real property ("Lease Agreements");

(ix) all Contracts for the lease of any machinery, equipment, motor vehicles, office furniture, fixtures or other personal property involving the payment of more than $15,000 over the term of the Contract;

(x) all financial advisory or any other similar type Contract and all Contracts with investment or commercial banks;

(xi) all Contracts (A) limiting or purporting to limit the ability of the Company to engage in any line of business or to compete with any Person or in any geographical area, (B) granting or purporting to grant any exclusive rights to any Person or limiting in any respect the right of the Company to make use of any Company Intellectual Property, including any "covenant not to sue" clauses, (C) containing any exclusive licensing obligations, (D) containing any future royalty payments, or (E) containing any "most favored nation" or "most favored customer" terms or similar "best pricing" provisions;

(xii) other than employment Contracts, all Contracts between the Company on the one hand and any stockholder, officer, director, Affiliate of the Company or any family member thereof on the other hand;

(xiii) all Contracts (including letters of intent) relating to or involving the disposition or acquisition of assets, properties, capital stock or other equity interests of any other Person, or any merger, consolidation or similar business combination transaction, whether or not enforceable, but excluding the purchase of assets in the ordinary course of business for less than $25,000;

(xiv) all Contracts involving any joint venture, partnership, strategic alliance, shareholders' agreement or joint development;

(xv) all Contracts with distributors or representatives of the Company that have generated or expected to generate annual revenues in excess of $50,000 (excluding Contracts with Employees and independent contractors engaged on a full time basis, in sales on behalf of the Company);

(xvi) all Contracts involving any resolution or settlement of any actual or threatened litigation or arbitration in the past three (3) years;

(xvii) all Collective Bargaining Agreements;

(xviii) all Contracts (including for the sake of clarity, development Contracts) to which the Company is a party or by which it is bound and under which the Company is granted or provided any rights, or permitted any uses, of Intellectual Property or Intellectual Property Rights by a third party, other than: (i) Contracts for licenses to Shrink-Wrapped Code that are not royalty bearing; and (ii) Open Source Licenses or CopyLeft Software licenses.

(xix) all Contracts (i) containing a grant by the Company to a Person of any right relating to or under the Company Intellectual Property or any grant to the Company of any right relating to or under the Intellectual Property or Intellectual Property Rights of any Person involving anticipated annual gross revenue or expense in excess of $20,000, other than agreements with customers for the sale and/or licensing of Products entered into in the ordinary course of business (including Contracts for "off-the-shelf" software) and (ii) regarding development of Intellectual Property or Technology for the Company in excess of $5,000;

(xx) all Contracts containing a grant by the Company to a Person of any right relating to or under the Company Intellectual Property or otherwise for the sale of Company Products that contain provisions (i) requiring acceptance of the applicable Company Product by the customer or (ii) allowing the customer to return the Company Product; and

(xxi) All Contracts containing any provisions which are triggered by, and all Contracts entitling any Person to any right of notice, novation, waiver, authorization, consent or approval, as the case may be, in connection with, a change-in-control of the Company or the consummation of the transactions contemplated by this Agreement.

(b) No Breach. The Company has been in compliance in all material respects with its obligations under each Contract to which it is a party or by which it is bound. Each Material Contract set forth in Section 2.13(a) of the Company Disclosure Schedule (or required to be set forth in Section 2.13(a) of the Company Disclosure Schedule) is valid and binding and in full force and effect and has not been terminated or been repudiated. There exists no event, occurrence, condition or act which, with the giving of notice, the lapse of time or the happening of any other event or condition, would be reasonably expected to become a material default or event of default under the terms of any Contract (whether or not a Material Contract) to which the Company is party or by which it is bound. To the Knowledge of the Company, there are no facts or circumstances indicating that any of the Material Contracts will be totally or partially terminated or suspended prior to its expiration by its terms. To the Knowledge of the Company, all of the material covenants to be performed by any other party to any Contract to which the Company is party or by which it is bound have been performed in all material respects. The Company has delivered or made available to Parent true and complete copies, including all amendments, of each Material Contract set forth in Section 2.13 of the Company Disclosure Schedule (or required to be set forth in Section 2.13 of the Company Disclosure Schedule).

Section 2.14 Governmental Consents and Approvals. Except for the filing and recordation of the Certificate of Merger and the related certificate of incorporation of the Surviving Entity in accordance with the requirements of the DGCL, no notice to, filing with, and no permit, authorization, consent or approval of, any Governmental Entity or any third party is necessary for the consummation by the Company of the transactions contemplated by this Agreement, including as necessary in order to avoid any violation of any Legal Requirements or any rights of a third party. In connection with Contracts that the Company has entered into to provide software and/or services to any Governmental Entity, either directly or indirectly as a subcontractor (collectively, the "Government Contracts"), neither the Company nor its Affiliates hold any security clearance issued by the U.S. government. In entering into and performing under the Government Contracts, the Company has not had access to any U.S. government classified information, and, without derogating from the foregoing, the consummation of the Merger, including the Company's continued rights to the benefits of the Government Contracts, is not subject to any requirement to notify or receive approval from any Governmental Entity in connection with the Government Contracts.

Section 2.15 Environmental Matters. The Company is in compliance with all Legal Requirements relating to the environment, occupational health and safety and no material expenditures are or will be required in order to comply with any such existing Legal Requirement.

Section 2.16 Leased Real Property. Section 2.16 of the Company Disclosure Schedule sets forth a complete list of the real property leased by the Company (the "Company Leases"). Each Lease Agreement relating to each Company Lease is valid, binding and enforceable in accordance with its terms and the Company has a valid and binding leasehold interest in the real property for the full term of the Company Lease (including renewal periods). True and correct copies of the Lease Agreements with all amendment thereto have been made available to Parent. There are no disputes, oral agreements, or forbearance programs in effect as to the Company Leases and, other than the Lease Agreements, there are no other Contracts between the Company and any other Person or by and among any other Persons, claiming an interest in the interest of the Company in the real property subject to the Company Leases or otherwise relating to the use and occupancy of the real property subject to the Company Leases. There are no existing defaults by the Company under any Lease Agreement, and, to the Knowledge of the Company, no event has occurred that (with the giving of notice, lapse of time or both) would constitute a default by the Company under any Lease Agreement and the Company has no Knowledge of any default by the other parties to the Company Leases. The Company has not assigned, transferred, conveyed, mortgaged, deeded in trust, or encumbered any interest in the leasehold or any of its rights under any Company Lease, and the leasehold estate created by each such lease is free and clear of all Liens. The Company does not own any real property.

Section 2.17 Interested Party Transactions. No stockholder, officer or director of the Company (i) owns or holds, directly or indirectly, any interest in (except holdings solely for passive investment purposes of securities of publicly held and traded entities constituting less than one percent (1%) of the equity of any such entity or of portfolio companies for which the officers and directors are not officers and directors of the Company), or (ii) is an officer, director, Employee or consultant of any Person that is, a competitor, lessor, customer or supplier of the Company. No officer, director or stockholder of the Company (a) owns or holds, directly or indirectly, in whole or in part, any Company Intellectual Property, or (b) has any interest in any property, real or personal, tangible or intangible, used in or pertaining to the business of the Company. No stockholder, officer, Employee or director of the Company is indebted to the Company, nor is the Company indebted (or committed to make loans or extend or guarantee credit) to any of them.

Section 2.18 Suppliers, Customers and Partners. Section 2.18 of the Company Disclosure Schedule sets forth an accurate and complete list of (i) the ten (10) largest customers (including OEMs and resellers) of the Company, taken as a whole, by revenues (the "Key Customers") for each of 2012, 2013 and 2014, (ii) the ten (10) largest suppliers by expenditures (the "Key Suppliers") for each of 2012, 2013 and 2014 and (iii) the ten (10) largest partners by revenues (the "Key Partners") for each of 2012, 2013 and 2014. None of the Key Suppliers, Key Customers or Key Partners has delivered any written notice indicating, or to the Company's knowledge, otherwise indicated, to the Company (nor does the Company have any Knowledge of) any intent to discontinue or alter in any manner adverse to the Company the terms of such Key Supplier's, Key Customer's or Key Partner's relationship with the Company (including with respect to non-renewal of maintenance agreements) or make any claim that would be reasonably expected to give rise to a material breach by the Company of their obligations to such Key Supplier or Key Customer or Key Partner. The Company is in compliance with its obligations under each Contract with its Key Customers, Key Suppliers and Key Partners and in the event such Contract is no longer in effect, the Company was in compliance in all material respects with their obligations under each Contract until the termination thereof. The Company has provided Parent with a copy of all Contracts with Key Customers, Key Suppliers and Key Partners and termination agreements for any such Contracts that have since been terminated.

Section 2.19 Accounts, Powers of Attorney. Set forth in Section 2.19 of the Company Disclosure Schedule is an accurate and complete list showing (a) the name and address of all banks, trust companies, securities brokers and other financial institutions in which the Company has an account or safe deposit box, or maintains a banking, custodial, trading or other similar relationship, whether or not such accounts are held in the name of the Company, and lists the number of any such account or any such box and the names of all Persons authorized to draw thereon or to have access thereto, (b) the names of all Persons, if any, holding powers of attorney from the Company.

Section 2.20 Insurance. Section 2.20 of the Company Disclosure Schedule contains a complete list of the policies and Contracts of insurance maintained by the Company. All such policies and bonds are in full force and effect, all premiums due and payable to date under all such policies and bonds have been paid and the Company is otherwise in compliance in all material respects with the terms of such policies and bonds. There is no claim pending under any such policies and Contracts as to which coverage has been questioned, denied or disputed by the insurance carriers of such policies or Contracts. The Company has not received any written notice of cancellation or non renewal of any such policies or Contracts from any of its insurance carriers or agents, nor to the Knowledge of the Company, is the termination of any such policies or Contracts threatened.

Section 2.21 Tangible Assets; Title to Property. The Company has good and valid title or, in the case of leased assets, a valid leasehold interest, free and clear of all Liens, except for Permitted Liens, to all of its tangible property and assets. The property and equipment of the Company that are used in the operations of the business of the Company is in good operating condition and repair, subject to normal wear and tear, are adequate for the uses to which they are being put and have been maintained and serviced in accordance with prudent practice and in material compliance with all applicable Legal Requirements. The tangible property and assets owned or leased by the Company, together with all leased real property of the Company, are sufficient for the operation of the business of the Company as currently conducted.

Section 2.22 Minute Books. The minute books of the Company contain an accurate summary in all material respects of all resolutions adopted at any meetings of directors, committees and stockholders and all actions by written consent and true and complete copies of such minute books have been delivered to Parent.

Section 2.23 Broker's or Finder's Fees; Transaction Expenses.

(a) Except as set forth in Section 2.23(a) of the Company Disclosure Schedule (including the fees indicated therein as being contingent on the payment of the Earnout Payment Amount, the "Contingent Transaction Expenses"), the Company has not incurred, nor will it incur, directly or indirectly, any liability for brokerage or finders' fees or agents' commissions or investment bankers' fees or any similar charges in connection with this Agreement or any transaction contemplated hereby.

(b) Section 2.23 (b) of the Company Disclosure sets forth the Company's current reasonable estimation of Company Transaction Expenses (i) outstanding on the date hereof, and (ii) to be incurred from the date hereof through the Closing. Other than the Contingent Transaction Expenses, there are no, and shall be no, other Company Transaction Expenses, contingent or not, payable following the Closing.

Section 2.24 State Takeover Statutes. No "fair price" or "control share acquisition" or other similar U.S. federal, state or local antitakeover statutes, laws or regulations, including Section 203 of the DGCL, is applicable to the Company with respect to the Merger, including the execution, delivery or performance of this Agreement and the consummation of the Merger and the other transactions contemplated hereby.

Section 2.25 Full Disclosure. None of the representations or warranties made by the Company herein or any certificate furnished by the Company pursuant to this Agreement (as qualified and modified by the Company Disclosure Schedule), when all such documents are read together in their entirety, contains or will contain at the Closing Date any untrue statement of a material fact, or omits or will omit at the Closing Date to state any material fact necessary in order to make the statements contained herein or therein, in the light of the circumstances under which made, not misleading.

Section 2.26 No Additional Representations or Warranties. None of the Company, the Principal Stockholders, or any other Person on Company's behalf has made any representation or warranty as to the Company, the Business or operations of the Company or this Agreement, except as expressly set forth in this Agreement (including related portions of the Company Disclosure Schedule) and/or any of the Ancillary Agreements. Parent and Buyer acknowledge that the Company has not made, and Parent, Buyer and their agents, employees or representatives have not relied on, any representation or warranty, express or implied, as to the accuracy or completeness of any information regarding the Company, except for the representations and warranties of the Company expressly set forth in this Agreement.

ARTICLE III

Company Stockholders Release

Without derogating from the representations, warranties and undertakings of (i) the Company set forth in this Agreement, (ii) the Principal Stockholders set forth in the Stockholder Support Agreements, and (iii) the Company Stockholders in the Letter of Transmittal, each of the Company Stockholders, severally and not jointly, who accepts payment for his, her or its portion of the Aggregate 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 1.8(j) 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:

Section 3.1 Waiver and Release.

(i) Effective for all purposes, each Company Stockholder acknowledges and agrees on behalf of itself and each of its agents, trustees, beneficiaries, directors, officers, affiliates, subsidiaries, estate, successors and assigns (each, a "Releasing Party") that each hereby releases and forever discharges the Company, each other Company Stockholder, Parent, Buyer, Merger Sub 1, Merger Sub 2 (each a "Beneficiary") and each of such Beneficiary's respective subsidiaries, Affiliates, directors, officers, employees, Representatives, agents, members, stockholders, successors, predecessors and assigns (each, a "Released Party" and collectively, the "Released Parties") from any and all Equityholder Claims such Releasing Party may have or assert it has against any of the Released Parties, from the beginning of time through the time of the Closing and following the Closing, in each case whether known or unknown, or whether or not the facts that could give rise to or support an Equityholder Claim are known or should have been known. In this Agreement an "Equityholder Claim" shall mean: (i) any claim or right to receive any Company Equity Securities, other than the Company Equity Securities set forth opposite his, her or its name in the Preliminary Payment Spreadsheet; (ii) any claim or right to receive any portion of the Aggregate Merger Consideration, other than as specifically set forth in the Final Payment Spreadsheet and applicable to such Company Stockholder; or (iii) any claim with respect to the authority to enter into the transactions and the enforceability of the transactions contemplated hereby.

(ii) Each Company Stockholder confirms, acknowledges, represents and warrants that he, she or it: (A) (i) is the holder of the number of Company Equity Securities set forth opposite his, her or its name in the Preliminary Payment Spreadsheet; (ii) other than the number and class of Company Capital Stock or Company Stock Options set forth opposite his, her or its name in the Preliminary Payment Spreadsheet, it is not entitled to any additional Company Equity Securities, including, shares of Company Capital Stock, Company Stock Options, Company Warrants or any other convertible security, or right to acquire shares, options or warrants of or any other convertible security into Company Capital Stock; and (iii) waives any right to receive any additional Company Equity Securities (as a result of any anti-dilution rights, preemptive rights, conversion rights (of any of the Company Capital Stock which are outstanding as of the date hereof or any Company Equity Securities he, she or it may have been entitled to receive as a result of the conversion of any convertible loan agreement or any other convertible instrument that was issued by the Company), rights of first offer, co-sale and no-sale rights, any other participation, first refusal or similar rights, any adjustment of the conversion price of any Company Preferred Stock whatsoever) or otherwise; (iv) fully, finally, irrevocably and forever waives any right to receive any preference amount with respect to any Company Preferred Stock (except to the extent set forth in the Preliminary Payment Spreadsheet); and (B) (i) examined the Preliminary Payment Spreadsheet and is entitled only to the distribution set forth in such a spreadsheet (subject to any changes contemplated in this Agreement and which will be reflected in the Final Payment Spreadsheet); (ii) waives any right to receive consideration other than as set forth in the Final Payment Spreadsheet (including for any interest payments, in consideration of any preference amount (which was waived hereunder), the method of calculation of any of the values set forth in this Agreement or the method of determination of the Proportionate Indemnification Share, or any other rights of any nature under the Organizational Documents, or any other Stockholders Agreement (which for purposes of this Agreement will be defined as any investors rights agreement, registration rights agreement, voting agreement, right of first refusal agreement or shareholders agreement entered into by such Company Stockholders with respect to the Company or the Company Capital Stock, including the Company Series AA-2 Agreements), which the Company Stockholders and/or its successors and assignees ever had, now have or hereafter can, shall or may have, at any time, due to actions or events that occurred prior to Closing which do not conform or are not consistent with the terms of this Agreement and the consideration attributed to such Company Stockholder in the Final Payment Spreadsheet); (C) hereby terminates and waives any rights, powers and privileges such Company Stockholder has or may have pursuant to any Stockholders Agreement or any right to make a claim or demand for any discrepancy between any Stockholders Agreement, share purchase agreement or convertible loan agreement such Company Stockholder and the provisions of this Agreement and his, her or its entitlement pursuant to such agreements; (D) for as long as this Agreement has not been terminated, agrees not to sell, transfer, assign or convert any of its Company Equity Securities, or subject such Company Equity Securities to any Liens, except pursuant to a bona fide transfer request of Company Equity Securities provided to the Company prior to the date hereof; and (E) has not heretofore assigned or transferred, or purported to have assigned or transferred, to any corporation (or any other legal entity) or person whatsoever, any claim, debt, liability, demand, obligation, cost, expense, action or cause of action herein released.

(iii) Each Company Stockholder, on behalf of each Releasing Party, further covenants and agrees that such Releasing Party has not heretofore sold, transferred, hypothecated, conveyed or assigned, and shall not hereafter sue any Released Party upon, any Equityholder Claim released under this Article III, and that each Releasing Party shall indemnify and hold harmless the Released Parties against any loss or liability on account of any actions brought by such Releasing Party or such Releasing Party's assigns or prosecuted on behalf of such Releasing Party and relating to any Equityholder Claim released under this Article III.

(iv) Notwithstanding anything in this Article III, the foregoing releases and covenants of any Company Stockholder shall not apply to any claims (a) relating to Parent's or Buyer's failure to pay to such Company Stockholder any portion of the Aggregate Cash Consideration, to issue the Aggregate Share Consideration or make any other payments in accordance with this Agreement; (b) relating to Parent's or Buyer's failure to perform any of its obligations, undertakings or covenants set forth in this Agreement; (c) arising from any employment payment, including salary, bonuses, accrued vacation, any other employee compensation and/or benefits, and unreimbursed expenses to such Company Stockholder, (d) arising from any commercial relationship such Company Stockholder has with any of the Released Parties; and (e) for indemnity by officers and directors of the Company in their capacity as such pursuant to their existing indemnification agreements with the Company; and (f) arising from this Agreement or the Ancillary Agreements.

(v) 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 or entity, 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.

(vi) Each Company Stockholder 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.

Effective for all purposes as of the date hereof, each Company Stockholder waives and relinquishes, to the fullest extent permitted by applicable Legal Requirement, on behalf of Parent and Buyer any rights and benefits which such Company Stockholder may have under such statutes or common law principle of any jurisdiction. Each Company Stockholder acknowledges that such Company Stockholder may hereafter discover facts in addition to or different from those which such Company Stockholder now knows or believes to be true with respect to the subject matter of this Agreement, but it is such Company Stockholder'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 Company Stockholder with respect to the subject matter of this Agreement. 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

Section 3.2 Ownership of Company Capital Stock. Such Company Stockholder is the sole record and beneficial owner of the Company Capital Stock designated as being owned by such Company Stockholder opposite such Company Stockholder's name in the Final Payment Spreadsheet. Except as provided under the Company Organizational Documents, such Company Capital Stock owned by such Company Stockholder is not subject to any Liens or to a right of first refusal of any kind, and such Company Stockholder has not granted any rights or options to purchase such Company Capital Stock or Company Stock Options to any other Person. Such Company Stockholder has the sole right to transfer such Company Capital Stock to Parent and Buyer. Such Company Capital Stock constitutes all of the Company Capital Stock owned, beneficially or of record, by such Company Stockholder, and such Company Stockholder has no other options, warrants or other rights to acquire Company Capital Stock other than those set forth in Section 2.3 of the Company Disclosure Schedule.

Section 3.3 Absence of Claims by the Company Stockholders. Such Company Stockholder (in his capacity as such) does not have any claim against the Company whether present or future, contingent or unconditional, fixed or variable under any Contract or on any other basis whatsoever, whether in equity or at law.

ARTICLE IV

Representations and Warranties of Parent, Buyer, Merger Sub 1 and Merger Sub 2

Except as set forth (a) in the disclosure schedule delivered by Parent and Buyer to the Company immediately prior to the execution of this Agreement, setting forth specific exceptions to Parent's, Buyer's, Merger Sub 1's and Merger Sub 2's representations and warranties set forth herein (the "Parent Disclosure Schedule"; which shall be arranged in paragraphs corresponding to the numbered and lettered paragraphs contained in this Article IV; it being understood that each such disclosures shall qualify (i) the corresponding paragraph in this Article IV and (ii) the other paragraphs in this Article IV to the extent reasonably apparent from a reading of such disclosure that it also qualifies or applies to such other paragraphs) or (b) other than with respect to Sections 4.1-4.3 and 4.5, in the Parent SEC Documents (as defined below), Parent, Buyer, Merger Sub 1 and Merger Sub 2 hereby represent and warrant to the Company, on the date hereof and as of the Closing Date, as follows:

Section 4.1 Organization and Standing. Parent is a corporation duly organized and validly existing under the laws of the State of Israel and has all requisite corporate power and authority to own, lease, license, use and operate its assets and properties and to carry on its business as now being conducted. Buyer is a company duly organized, validly existing and in good standing under the laws of the State of Massachusetts. Merger Sub 1 and Merger Sub 2 are limited liability companies duly organized, validly existing and in good standing under the laws of the State of Delaware.

Section 4.2 Authority; No Conflicts.

(a) Each of Parent, Buyer, Merger Sub 1 and Merger Sub 2 has all requisite corporate power and authority to execute and deliver this Agreement and the Ancillary Agreements to be executed and delivered by them as contemplated hereby and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance of this Agreement, and the Ancillary Agreements executed and delivered by Parent, Buyer, Merger Sub 1 and Merger Sub 2 if and as contemplated hereby, and the consummation of the transactions contemplated hereby and thereby, have been duly authorized by (1) the Board of Directors of each of Parent, Buyer, Merger Sub 1 and Merger Sub 2 and (2) Buyer, in its capacity as the sole stockholder of Merger Sub 1 and Merger Sub 2, and no other corporate or stockholder action on the part of Parent, Buyer, Merger Sub 1 or Merger Sub 2 or their respective stockholders is necessary to authorize the execution, delivery and performance of this Agreement and the Ancillary Agreements by either Parent, Buyer, Merger Sub 1 or Merger Sub 2 and the consummation of the transactions contemplated hereby and thereby. This Agreement and the Ancillary Agreements to be executed and delivered by Parent, Buyer, Merger Sub 1 and Merger Sub 2 as contemplated hereby, when delivered in accordance with the terms hereof, assuming the due execution and delivery of this Agreement and each other Ancillary Agreements by the other parties hereto and thereto, shall have been duly executed and delivered by each of Parent, Buyer, Merger Sub 1 and Merger Sub 2 and shall be valid and binding obligations of Parent, Buyer, Merger Sub 1 and Merger Sub 2, enforceable against each of them in accordance with their terms, except to the extent that their enforceability may be subject to applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and to general equitable principles.

(b) The execution and delivery of this Agreement and of the Ancillary Agreements to be executed and delivered by Parent, Buyer, Merger Sub 1 and Merger Sub 2 if and as contemplated hereby will not, and the consummation by Parent, Buyer, Merger Sub 1 and Merger Sub 2 of the transactions contemplated hereby and thereby will not result in a violation or breach of, conflict with, constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, cancellation, payment or acceleration) under, or result in the creation of any Lien on any of the properties or assets of Parent under: (i) any provision of the organizational documents of Parent, Buyer, Merger Sub 1 and/or Merger Sub 2; (ii) subject to obtaining and making any of the required approvals, consents, notices and filings, any Legal Requirement applicable to Parent, Buyer, Merger Sub 1 and/or Merger Sub 2 or by which any of its respective properties or assets may be bound; (iii) any of the terms, conditions or provisions of any Contract to which Parent, Buyer, Merger Sub 1 and/or Merger Sub 2 is a party or by which it is bound; except, in all cases, as would not reasonably be expected to prevent the consummation of the Merger.

Section 4.3 Consents and Approvals. Except (i) for the filing and recordation of the Certificate of Merger and the related certificate of formation of the Surviving Entity in accordance with the requirements of the DGCL and the LLC Act and (ii) as contemplated by the Ancillary Agreements, no notice to, filing with, and no permit, authorization, consent or approval of, any Governmental Entity or any private third party is necessary for the consummation by Parent, Buyer, Merger Sub 1 and/or Merger Sub 2 of the transactions contemplated by this Agreement.

Section 4.4 SEC Filings.

(a) Parent has timely filed with or otherwise furnished to the SEC all forms, reports, schedules, statements and other documents required to be filed or furnished by it under the Securities Exchange Act of 1934, as amended (the "Exchange Act") since January 1, 2014 together with all certifications required pursuant to the Sarbanes-Oxley Act (these documents, as supplemented or amended since the time of filing, and together with all information incorporated by reference therein and schedules and exhibits thereto, the "Parent SEC Documents"). Parent has delivered or made available to the Company (including through the SEC EDGAR system) accurate and complete copies of the Parent SEC Documents.

(b) As of their respective filing dates, the Parent SEC Documents and all Parent SEC Documents filed after the date hereof but before the Closing complied (or, if filed after the date hereof and before the Closing, will) comply in all material respects with the requirements of the Securities Act and the Exchange Act and the rules and regulations of the SEC thereunder, as the case may be, and none of the Parent SEC Documents contained or will contain any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances in which they were made, not misleading, except to the extent such Parent SEC Documents have been corrected, updated or superseded by a document subsequently filed with or furnished to the SEC. The financial statements of Parent, including the notes thereto, included in the Parent SEC Documents comply as to form in all material respects with the published rules and regulations of the SEC with respect thereto, have been prepared in accordance with GAAP consistently applied (except as may be indicated in the notes thereto or, in the case of unaudited financial statements, as permitted by the Exchange Act) and present fairly, in all material respects, the consolidated financial position of Parent and its consolidated subsidiaries at the dates thereof and the consolidated results of its operations, changes in shareholders' equity and cash flows for the periods then ended (subject, in the case of unaudited financial statements, to normal year-end adjustments).

Section 4.5 Issuance of Parent Ordinary Shares. The Parent Ordinary Shares to be issued pursuant to this Agreement have been duly authorized, and when issued in accordance with this Agreement, will be validly issued, fully paid and nonassessable and not subject to any preemptive or similar rights (subject to this Agreement, Parent's organizational requirements and applicable Legal Requirements). Parent has reserved from its duly authorized capital stock a number of Parent Ordinary Shares equal to the maximum amount of the Holdback Shares and the Closing Shares, and shall reserve and keep available at all times, a sufficient number of Parent Ordinary Shares to enable Parent to issue the Earnout Shares pursuant to Section 1.8.

Section 4.6 Broker's or Finder's Fees. None of Parent, Buyer, Merger Sub 1 or Merger Sub 2 has incurred, nor will it incur, directly or indirectly (except, for the sake of clarity, as a result of the Merger), any liability for brokerage or finders' fees or agents' commissions or investment bankers' fees or any similar charges in connection with this Agreement or any transaction contemplated hereby.

Section 4.7 Tax Matters.

(a) Except for matters that would not, individually or in the aggregate, have or reasonably be expected to result in a material adverse effect on the financial condition or results of operations of Parent, (i) Parent has filed all necessary Returns and has paid or accrued all Taxes shown as due thereon, and (ii) Parent is not aware of a tax deficiency which has been asserted in writing against Parent.

(b) Each of Merger Sub 1 and Merger Sub 2 (i) is newly-formed for the purposes of effecting the Merger, and (ii) is and has always been treated for U.S. federal income Tax purposes as a disregarded entity within the meaning of Treasury Regulation Section 301.7701-3.

Section 4.8 No Additional Representations or Warranties. None of the Parent, Buyer, Merger Sub 1, Merger Sub 2, or any other Person on their behalf has made any representation or warranty as to Parent, Buyer, Merger Sub 1, Merger Sub 2, their operations or this Agreement, except as expressly set forth in this Section 4 and/or any of the Ancillary Agreements. The Company acknowledges that the Parent and Buyer have not made, and the Company (including the Company Equityholders, its Affiliates, employees and Representatives) has not relied on, any representation or warranty, express or implied, as to the accuracy or completeness of any information regarding the Parent, the Buyer, Merger Sub 1 or Merger Sub 2, except for the representations and warranties of the Buyer and Parent expressly set forth in this Agreement.

ARTICLE V

Covenants

Section 5.1 Access to Information. During the period commencing on the date hereof and ending on the earlier of the date of valid termination of this Agreement or the Effective Time (such earlier date, the "Expiration Date"), the Company shall afford Parent, Buyer and their respective Representatives during normal working hours upon reasonable prior notice, including on a reasonable time schedule, reasonable access to the properties, books, records and personnel of the Company and, during such period, the Company shall furnish (or make available, as applicable) as soon as practical to Parent and Buyer all true, correct and complete financial and operating data and other information (including access to customers and suppliers) concerning the Company's business, properties and personnel as Parent and Buyer may reasonably request; *provided, however*, that no investigation pursuant to this Section 5.1 shall affect or be deemed to modify any representation or warranty made by the Company or the Company Stockholders.

Section 5.2 Confidentiality. The parties hereto agree that the terms of that certain Mutual Non-Disclosure Agreement between Parent and the Company, dated October 2, 2014 (the "Confidentiality Agreement"), shall continue in full force and effect, and apply to any exchange of Confidential Information (as defined in the Confidentiality Agreement) hereunder; it being understood that notwithstanding anything to the contrary in the Confidentiality Agreement, (i) neither Party shall disclose the existence of this Agreement and/or any of the terms and conditions of this Agreement and the transactions contemplated hereby unless such disclosure is required by applicable Legal Requirement or otherwise permitted in accordance with Section 5.7 hereof and (ii) materials and information furnished to the Parent and Buyer under this Section 5.2 may be used by them for strategic and integration planning purposes.

Section 5.3 Conduct of the Business of the Company Pending the Closing Date.

(a) The Company agrees that, except as expressly contemplated by this Agreement and the Ancillary Agreements, during the period commencing on the date hereof and ending on the Expiration Date, the Company shall conduct its operations only in the ordinary course of business consistent with past practice and to use its commercially reasonable efforts to preserve intact its respective business organizations, keep available the services of its Employees and maintain satisfactory relationships with licensors, suppliers, distributors, clients and others having business relationships with them.

(b) In furtherance and not in limitation of Section 5.3(a), the Company agrees that during the period commencing on the date hereof and ending on the Expiration Date, the Company shall not effect any of the following except with the prior written consent (including email) of Parent (which shall not be unreasonably withheld, conditioned or delayed), except as expressly contemplated by this Agreement and the Ancillary Agreements, and except as set forth on Section 5.3(b) of the Company Disclosure Schedule:

(i) amend or restate any of its Organizational Documents;

(ii) authorize for issuance, issue, grant, sell or deliver (A) any capital stock of, or other equity or voting interest in, the Company, other than issuance of shares of Company Capital Stock upon exercise of Company Stock Options outstanding on the date hereof in accordance with the existing terms of such outstanding Company Stock Options, or (B) any securities convertible into, exchangeable for, or evidencing the right to subscribe for or acquire any (1) shares of capital stock of, or other equity or voting interest in, the Company, (2) securities convertible into, exchangeable for, or evidencing the right to subscribe for or acquire, any shares of the capital stock of, or other equity or voting interest in, the Company including rights, warrants or options, or (3) phantom stock or similar equity based payment option;

(iii) declare, pay or set aside any dividend or make any distribution (whether in cash, stock or other property) with respect to, or split, combine, redeem, reclassify, purchase or otherwise acquire directly, or indirectly, any shares of capital stock of, or other equity or voting interest in, the Company, or make any other change in the capital structure of the Company or make any other payment to the Company Stockholders;

(iv) establish, adopt, enter into, fund or accelerate payment under, amend or terminate any Benefit Plan;

(v) establish, adopt, enter into, fund or accelerate payment under, amend or terminate any agreement, or arrangement for the benefit of any directors, officers or Employees;

(vi) hire any new Employee or terminate the employment of any Employee;

(vii) pay or enter into any agreement, or otherwise promise, to pay any bonus, retention or special remuneration to any current or former Employee or increase the compensation payable (including wages, salaries, bonuses, benefits or any other remuneration) or to become payable to any current or former Employee, but other than as required under Contracts existing as of the date hereof;

(viii) grant, accelerate, amend or change the period of exercisability or vesting of any Company Stock Option or authorize any cash payment in exchange for a Company Stock Option or other equity award of the Company;

(ix) enter into, materially amend, become subject to, violate, terminate or otherwise modify or waive any of the material terms of any Material Contract (including, for the sake of clarity, any Contract that would constitute a Material Contract) or any Company Leases, except for entering into Contracts for the sale of the Company Products in the ordinary course of business, consistent with past practice, that (i) are with a value per contract that does not exceed $50,000 and (ii) do not contain any of the restrictions of the sort specified in, or would otherwise qualify as Material Contracts under, Sections 2.13(a)(ii), (vii), (xi), (xii) or (xxi);

(x) mortgage, pledge or encumber any assets or otherwise permit any of its properties or assets to be subject to any Lien;

(xi)(i) dispose of, license or transfer to any Person any rights to Company Intellectual Property other than pursuant to non exclusive licenses of binary code in connection with the sale of the Company Products in the ordinary course of business, consistent with past licensing practice, (ii) abandon, permit to lapse or otherwise dispose of any Company Intellectual Property, or (iii) make any material change in any Company Intellectual Property;

(xii) sell, transfer, lease, license or otherwise dispose of any material assets or properties, except for the sale of Company Products in the ordinary course of business and consistent with past practice;

(xiii) acquire any business, line of business or Person by merger or consolidation, purchase of substantial assets or equity interests, or by any other manner, in a single transaction or a series of related transactions, or enter into any Contract, letter of intent or similar arrangement (whether or not enforceable) with respect to the foregoing;

(xiv) enter into or amend any agreements pursuant to which any other Person is granted exclusive rights of any type or scope with respect to any Company Products;

(xv) make any capital expenditure or commitment therefor or enter into any operating lease in excess of $5,000 individually and $10,000 in the aggregate or otherwise deviate from the Company's short-term budget/forecast attached to Section 5.3(xv) of the Company Disclosure Schedule;

(xvi) (A) take any action reasonably likely to (i) accelerate the payment of customer accounts receivables (including shortening payment terms, providing incentives for early payment or otherwise) or (ii) delay the payment on accounts payable to suppliers, vendors or others beyond due dates; (B) make any changes to the cash management policies of the Company, or (C) vary any inventory purchasing practices in any material respect from past practices;

(xvii) terminate or waive any right of the Company of material value;

(xviii) except as required by GAAP, make any change in any method of accounting or auditing method, principle, policy, procedure or practice;

(xix) (A) make any Tax election or settle and/or compromise any Tax liability; (B) prepare any Returns in an inappropriate manner; incur any liability for Taxes, other than in the ordinary course of business and consistent with past practice, or (C) file an amended Return or a claim for refund of Taxes with respect to the income, operations or property of the Company, other than in the ordinary course of business and consistent with past practice;

(xx) incur, repay, assume, guarantee or modify any Company Indebtedness;

(xxi) make any loans, advances or capital contributions to, or investments in, any other Person;

(xxii) initiate or settle any litigation;

(xxiii) agree to take (i) any of the actions described above, or (ii) any other action that would prevent the Company from performing, or cause the Company not to perform, any of its covenants and agreements under this Agreement or under any of Ancillary Agreements.

Section 5.4 Exclusive Dealing.

(a) The Company acknowledges that Parent, Buyer and their Affiliates have spent and will continue to spend considerable time, and have incurred and will continue to incur substantial costs and expenses, in connection with the transactions contemplated hereunder. Accordingly, and without derogating from the Company's other obligations hereunder, the Company agrees that, during the period commencing on the date hereof and continuing until the Expiration Date, it shall not, and shall cause its Affiliates, stockholders, directors, officers, employees, and other Representatives not to, directly or indirectly, (i) enter into or continue any discussions or negotiations with respect to, agree to, approve, recommend, or enter into any agreement or any understanding with respect to, or solicit, initiate, knowingly encourage, or facilitate the submission of any inquiries, proposals, or offers for, the acquisition (including, without limitation, by stock purchase, asset sale, merger, consolidation, or other business combination) by any person or entity (other than as contemplated by this Agreement), directly or indirectly, of any shares of capital stock or other equity interests in the Company or all or any portion of the assets or Company Indebtedness, other than sales of Company Products in the ordinary course of business (each, an "Alternative Transaction"), or (ii) furnish, or cause to be furnished, any information concerning the Company, its Affiliates, or their respective assets or liabilities, or allow access to the books, records, properties, or management of the Company or any of its Affiliates, to any person or entity with a view to, or in furtherance of, an Alternative Transaction. If the Company or any of its Representatives, shall receive an indication of interest, term sheet, letter of intent, proposal, request for information, or any similar submission (whether written or oral), in each case in respect of an Alternative Transaction, the Company shall, immediately upon receipt thereof, deliver written notice thereof (including a summary of terms thereof) to Buyer. The Company shall be liable for any and all breaches by any of its Representatives of the terms set forth in this Section 5.4.

(b) The Company acknowledges that this Section 5.4 was a significant inducement for Parent and Buyer to enter into this Agreement.

Section 5.5 Commercially Reasonable Efforts; Consents. (a) Subject to the terms and conditions contained in this Agreement, the Parties shall cooperate and, in the case of the Company, use its commercially reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, and to assist and cooperate with the other Parties in doing, all things necessary, proper or advisable in order to consummate and make effective, in the most expeditious manner practicable, the Merger and the other transactions contemplated by this Agreement, including the following: (i) the taking of all commercially reasonable acts necessary to cause the conditions precedent set forth in Article V to be satisfied, (ii) the obtaining of all necessary actions, waivers, consents, approvals, orders and authorizations from Governmental Entities and from any other third parties as are necessary for consummation of the transactions contemplated by this Agreement, (iii) the defending of any suits, claims, actions, investigations or proceedings, whether judicial or administrative, challenging this Agreement or the consummation of the transactions contemplated hereby, and (iv) the execution or delivery of any additional instruments reasonably necessary to consummate the transactions contemplated by, and to fully carry out the purposes of, this Agreement, but subject in all cases to the compliance by the Parties with their respective covenants under this Agreement. Such consents, waivers and approvals hereof shall be in a form reasonably acceptable to Parent.

(b) Notwithstanding anything herein to the contrary, Parent shall not be required by this Agreement to take or agree to undertake any action, including entering into any consent decree, hold separate order or other similar arrangement, (i) that would require the divestiture or holding separate of any assets or voting securities of Parent, the Company or any of their respective Affiliates or Subsidiaries, (ii) to consummate the transactions contemplated hereunder on terms other than those as set out herein, or (iii) that would limit Parent's freedom of action with respect to, or its ability to consolidate and control, the Company or any of its assets or business or any of Parent's or its Affiliates' other assets or businesses.

Section 5.6 Stockholders Written Consent; Notice to Stockholders. The Company shall prepare a confidential information statement relating to this Agreement, the Merger and the transactions contemplated hereby, substantially in the form of Exhibit G hereto (the "Information Statement"), which (i) other than with respect to information specifically provided by Parent for inclusion in the Information Statement, shall not contain any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading, (ii) shall comply with applicable Legal Requirements, including Rule 502 of Regulation D promulgated under the Securities Act ("Rule 502"), and (iii) shall include 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 Stockholders. Parent shall promptly furnish to the Company information concerning Parent that may be required to satisfy the information requirements of Rule 502 in connection with any action contemplated by this Section 5.6. As soon as practicable after the date hereof, and in no case later than the second (2nd) Business Day after the date hereof, the Company shall deliver (in any manner permitted by applicable Legal Requirements) the Information Statement (and notice of receipt of the Required Votes, together with the notice of dissenters' rights required pursuant to the DGCL) to each Company Stockholder who has not executed and delivered to Parent heretofore an executed copy of the Stockholders Written Consent. Thereafter, subject to Section 1.8(m), 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 Buyer, and Parent and Buyer 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 Information Statement in order to make the statements contained or incorporated by reference therein not misleading or to comply with applicable Legal Requirement.

Section 5.7 Public Announcements. Neither Party shall issue any press release or otherwise make any public statement with respect to the transactions contemplated by this Agreement, unless required under applicable Legal Requirements, in which case, the disclosing party shall consult with the other Parties prior thereto. Notwithstanding the foregoing, Parent may issue a press release announcing the execution of this Agreement on, or promptly following, the date hereof and, thereafter, may make, from time to time, any public disclosure with respect to the transactions contemplated by this Agreement (including of the financial statements of the Company) as and to the extent Parent deems, following consultation with its legal advisors, required or advisable under applicable Legal Requirements (including for the sake of clarity, stock exchange rules).

Section 5.8 Notification of Certain Matters.

(a) The Company shall promptly notify Parent of (i) any actions, suits, claims or proceedings in connection with the transactions contemplated by this Agreement commenced or, to the Knowledge of the Company, threatened, against the Company or any Company Equityholder, (ii) the occurrence or non occurrence of any fact or event which would be reasonably likely to cause any condition set forth in Article VI not to be satisfied, (iii) the occurrence or existence of any fact, circumstance or event which would reasonably be expected to result in any representation or warranty made by the Company or any Company Equityholder, in this Agreement or in any schedule, exhibit or certificate or delivered herewith, to be untrue or materially inaccurate, (iv) any notice or other communication from any Person alleging that the consent of such Person is or may be required in connection with the transactions contemplated by this Agreement, or (v) the occurrence of any event, circumstance, development, state of facts, occurrence, change or effect which has had a Material Adverse Effect or the occurrence or non occurrence of any event, circumstance, development, state of facts, occurrence, change or effect which would reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect.

(b) If any event, condition, fact or circumstance that is required to be disclosed pursuant to Section 5.8 of this clause (a) above requires any change in the Company Disclosure Schedule, or if any such event, condition, fact or circumstance would require such a change assuming the Company Disclosure Schedule was dated as of the date of the occurrence, existence or discovery of such event, condition, fact or circumstance, then the Company shall promptly deliver to the Buyer an update to the Company Disclosure Schedule specifying such change. No such notice or update shall be deemed to supplement or amend the Company Disclosure Schedule for the purpose of (i) determining the accuracy of any of the representations and warranties made by the Company in this Agreement and any indemnification obligation hereunder, or (ii) determining whether any of the conditions set forth in Article VI has been satisfied.

Section 5.9 Termination or Amendment of 401(k) Plan. The Company shall, effective as of at least one (1) day prior to the Closing Date, have terminated or amended the Company 401(k) Plan or any other plan that is intended to meet the requirements of Section 401(k) of the Code, and which is sponsored, or contributed to, by the Company (collectively, the "401(k) Plan") and no further contributions shall be made to the 401(k) Plan, except as may be permitted for service prior to the termination date of the 401(k) Plan, corrective contributions, or the repayment of loans. The Company shall provide to Parent (i) if required to effect such termination or amendment, executed resolutions by the Company Board authorizing the termination or amendment, and (ii) an executed amendment to the 401(k) Plan, which in Parent's reasonable judgment is sufficient to assure compliance with all applicable requirements of the Code and regulations thereunder, including such that the tax qualified status of the 401(k) Plan will be maintained at the time of termination.

Section 5.10 Resignation of Officers and Directors. Except as otherwise instructed in writing by Parent and Buyer, the Company shall cause any so requested officer and member of its board of directors to tender his/her resignation from such position (for the avoidance of doubt, not resignation from a position as an employee) effective immediately prior to the Closing Date and in the event any such individual does not tender his/her resignation, the Company shall take such actions necessary to remove such individuals from such positions.

Section 5.11 Tax Matters.

(a) Section 368(a) Reorganization.

(i) Unless otherwise required pursuant to a "determination" within the meaning of Section 1313(a) of the Code, each of Buyer, Merger Sub 1, Merger Sub 2 and Company (x) shall report the Merger on their Tax Returns as a "reorganization" within the meaning of Section 368(a) of the Code, (y) shall not knowingly take any inconsistent position on any Tax Return or in any proceeding before any Tax authority or other tribunal, and (z) shall not willfully take any action that would cause the Merger to fail to qualify as a "reorganization" within the meaning of Section 368(a) of the Code or that would cause the Merger to be subject to Section 367(a)(1) of the Code. Parent shall cause the Company to comply with the reporting requirements of Treasury Regulations Section 1.367 (a)-3(c)(6) applicable to the transactions contemplated hereunder. Each of Merger Sub 1 and Merger Sub 2 will not, and Buyer and Parent will not cause them to, seek to change their entity classification for U.S. federal income Tax purposes within the meaning of Treasury Regulation Section 301.7701-3.

(ii) **Notwithstanding anything herein to the contrary, the Company and the Stockholders' Representative, on behalf of the holders of Company Capital Stock, agree and acknowledge that neither Parent nor Buyer is or has represented that the transactions contemplated hereby will qualify as a "reorganization" within the meaning of Section 368(a) of the Code, and, subject to compliance with their obligations set forth in clause (i) above in all material respects, neither Parent nor Buyer shall have any liability to the Company or the holders of Company Capital Stock in the event that the transactions contemplated hereby are ultimately determined not to so qualify**.

(b) Tax Information. Parent shall cause, and Buyer shall provide, and shall cause each of its Subsidiaries to provide, such information to any Company Stockholder who so requests as such Persons may reasonably require (i) to allow such Persons (or their direct or indirect owners) to fulfill their U.S. tax filing and tax reporting obligations in connection with the Aggregate Merger Consideration received by them and (ii) to timely file and maintain a "qualified electing fund" election (as defined in Section 1295(a) of the Code) with respect to any such entity in connection with the Aggregate Merger Consideration received by them.

(c) FIRPTA Certificate. The Company shall, on or prior to the Closing Date, deliver to Parent a statement described in Treasury Regulation Section 1.1445-2(b)(2) certifying that the Company is not a "foreign person" within the meaning of Section 1445(f)(3) of the Code.

(d) Section 280G. Prior to the Closing, the Company shall have submitted to the Company Stockholders for approval (in a manner, at such times, and in form and substance satisfactory to Parent and Buyer) by such requisite vote of Company Stockholders as is required by the terms of Section 280G(b)(5)(B) of the Code, any payments and/or benefits that would separately or in the aggregate, constitute "excess parachute payments" (within the meaning of Section 280G of the Code and the regulations promulgated thereunder) (which determination shall be made by the Company, subject to review and approval by Parent and Buyer), such that such payments and benefits shall not be deemed to be "parachute payments" under Section 280G of the Code, and prior to the Effective Time the Company shall deliver to Parent and Buyer evidence reasonably satisfactory to them (i) that a Company Stockholder vote was solicited in conformance with Section 280G and the regulations promulgated thereunder, and the requisite Company Stockholder approval was obtained with respect to any payments and/or benefits that were subject to the Company Stockholder vote (the "280G Approval"), or (ii) that the 280G Approval was not obtained and as a consequence, that such "excess parachute payments" shall not be made or provided, pursuant to the waivers of those payments and/or benefits which were executed by the affected individuals prior to the date that a Company Stockholder vote was solicited in conformance with Section 280G and the regulations promulgated thereunder.

Section 5.12 SEC Compliant Financial Statements. The Company shall cooperate with Parent and take all necessary action, at the expense of Parent (other than $25,000 which shall be at the Company's expense and considered Company Transaction Expenses) in order to prepare and provide to Parent, (i) as soon as practicable, such financial information (including pro forma financial statements if required), as required by Parent to comply with Parent's applicable SEC regulations, including the delivery of such representations from the Company's independent accountants as may be reasonably requested by Parent or its accountants, and (ii) until March 31, 2015, audited financial statements for the year ended December 31, 2014 (collectively, the "SEC Compliant Financial Statements"). The SEC Compliant Financial Statements shall be true and correct in all material respects.

Section 5.13 Intentionally Deleted.

Section 5.14 Certain Closing Certificates and Documents. The Company shall, (i) prepare and deliver to Parent and Buyer, a draft of each of the Company Net Working Capital Certificate, the Closing Balance Sheet and the Final Payment Spreadsheet not later than two (2) Business Days prior to the Closing Date; and (ii) prepare and deliver the final Company Net Working Capital Certificate, the final Closing Balance Sheet and the Final Payment Spreadsheet to Parent and Buyer at or prior to the Closing. Without limiting the generality or effect of the foregoing or the provisions of Section 5.1, the Company shall, provide to Parent, promptly after Parent's request, copies of the documents or instruments evidencing the amounts set forth on any such draft or final certificate, as well as the draft of the Final Payment Spreadsheet and the Final Payment Spreadsheet delivered pursuant to this Section.

Section 5.15 Employment Matters.

(a) Following the date of this Agreement, the Company shall provide Parent, Buyer and their Representatives with reasonable access (and information), on a mutually agreeable schedule, to those Employees listed on Section 5.15 of the Company Disclosure Schedule in order to, among other things, deliver offers of employment, to become effective upon the Closing, with Buyer (or such other entity designated by Buyer) in substantially the form of Exhibit H hereto and Buyer's standard form of proprietary information, inventions assignment, non-competition and non-solicitation agreement (the "Employment Offers"). The Company will use its commercially reasonable efforts to cause such Employees to execute and deliver the Employment Offers.

(b) Unless otherwise requested in writing by Buyer within five (5) Business Days following the date hereof, the Company shall terminate the employment of each Employee not set forth on Section 5.15 of the Company Disclosure Schedule (and any other Employee that who has not accepted the Employment Offer at the Closing) (each, a "Terminating Employee") no later than immediately prior to or on the Closing Date. The Company shall have used its commercially reasonable efforts to cause each such Terminating Employee to execute and return a valid release and waiver in a customary form and, in any event, pay such Terminating Employee any required severance payment.

(c) The Company acknowledges and agrees that, notwithstanding any confidentiality, non-compete or intellectual property ownership obligations of any Service Provider, any of the Service Providers (regardless of whether they have executed the Employment Offers or not) shall be permitted to engage in the business of the Company on behalf of Parent, Buyer and the Surviving Entity.

(d) The Company shall continue to pay until the Closing Date all salaries, benefits and other entitlements to its Service Providers in a timely manner. The Company shall continue to set aside until the Closing Date all benefits under the Company Benefit Plans to which any Employee or former Employee is or may be entitled including, *inter alia*, severance pay, termination notice, accrued and unpaid vacation days, leave and health.

(e) The provisions of this Section 5.15 are solely for the benefit of the parties to this Agreement, and no current or former employee or any other individual associate therewith shall be regarded for any purpose as a third party beneficiary of this Agreement and nothing herein shall be construed as an amendment to any Company Benefit Plan for any purpose.

Section 5.16 Support Agreements. The Company shall use its commercially reasonable efforts (including through the exercise of all available drag-along and similar rights) to cause the Stockholder Support Agreement to be executed on or prior to the Closing Date by all the Company Equityholders that have not executed the same as of the date of this Agreement.

ARTICLE VI

Conditions Precedent

Section 6.1 Conditions to the Obligations of Each Party. The respective obligations of the Company, on one hand, and Parent and Buyer, on the other hand, to consummate the transactions contemplated hereby are subject to the satisfaction or waiver in writing by the Company and Parent, at or before the Closing Date, of the following condition:

(a) No Prohibitions. No Legal Requirement issued, enacted, entered, promulgated or enforced by any Governmental Entity (and with respect to court or administrative orders, whether temporary, preliminary or permanent) restraining, enjoining or otherwise prohibiting the transactions contemplated by this Agreement or had the effect or making the Merger illegal or otherwise prevent its occurrence, be in effect.

(b) Escrow Agent Agreement. Parent, Buyer, the Stockholders' Representative and the Escrow Agent shall have entered into the Escrow Agent Agreement.

Section 6.2 Conditions to the Obligations of Parent, Buyer Merger Sub 1 and Merger Sub 2. The obligations of Parent, Buyer, Merger Sub 1 and Merger Sub 2 to consummate the transactions contemplated hereby are subject to the satisfaction on or prior to the Closing Date of the following further conditions, any of which may be waived in writing by Parent:

(a) Performance. Each of the agreements and covenants of the Company to be performed prior to the Closing pursuant to this Agreement shall have been duly performed in all material respects.

(b) Representations and Warranties. (i) Each of the representations and warranties of the Company contained in Sections 2.1, 2.2, 2.3, 2.4(a), 2.8, 2.11, 2.12(a), 2.23 and 2.24 of this Agreement shall have been true and correct as of the date hereof and 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 specified date, which such representations and warranties shall be true and correct in all respects as of such specified date), and (ii) each of the other representations and warranties of the Company contained in this Agreement and each other Ancillary Agreement to which it is a party shall have been true and correct as of the date hereof and shall be true and correct in all material respects (except for those heretofore qualified by any materiality standard, in which case, no duplicate standard of materiality shall be applied) 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 specified date, which such representations and warranties shall be true and correct in all material respects as of such specified date).

(c) No Material Adverse Effect. Since the date hereof there shall not have occurred any event, circumstance, development, state of facts, occurrence, change or effect that has had or would reasonably be expected to have a Material Adverse Effect.

(d) No Litigation Threatened. No suit, action or proceedings shall be pending or shall have been instituted or threatened against any of the Parties before a court or other Governmental Entity (i) challenging or seeking to restrain or prohibit the consummation of the Merger or to otherwise materially delay or invalidate any of the transactions contemplated hereby, (ii) seeking the award of Losses in an amount which is reasonably determined by Parent and Buyer to be material and payable by, or any other remedy against, the Company if the transactions contemplated hereby are consummated, or (iii) seeking remedy to the effect that any of the Company Products or the Business, infringes, misappropriates or otherwise violates the Intellectual Property Rights of any other Person.

(e) Closing Certificate. Parent shall have received a certificate of the Company executed by the Authorized Persons, in substantially the form of Exhibit I attached hereto (the "Closing Certificate"), certifying, among others, fulfillment of the conditions set forth in this Section 6.2, the Company Net Working Capital Certificate and the Final Payment Spreadsheet to be enclosed thereto.

(f) Third Party and Governmental Consents. The Company shall have obtained, and Parent shall have been furnished with, the consents, waivers or approvals set forth on Section 6.2(f) of the Company Disclosure Schedule, each of which shall be in full force and effect as of the Closing Date and in form and substance reasonably satisfactory to Parent.

(g) Consenting Stockholders. Company Stockholders representing at least ninety percent (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 all of the outstanding shares of Company Preferred Stock and holders of a majority of all of the outstanding shares of Company Common Stock) shall have executed (i) the Stockholders Written Consent and such consent shall be in full force and effect and shall not have been rescinded; and (ii) the Stockholder Support Agreement and such agreements shall be in full force and effect and shall not have been rescinded.

(h) Support Agreements. With respect to each Stockholder Support Agreement, (i) the representations and warranties of each Principal Stockholder shall have been true and correct as of the date hereof and 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 specified date, which such representations and warranties shall be true and correct in all respects as of such specified date), and (ii) each Principal Stockholder shall have performed and complied in all material respects with the agreements and covenants required to be performed or compiled with by it on or prior to the Closing Date.

(i) Company Stock Options and Company Warrants. Immediately prior to the Effective Time, all Company Stock Options shall have been duly terminated or canceled in accordance with the Company Option Plans and all Company Warrants shall have been duly terminated or canceled in accordance with their terms.

(j) Key Employees. (i) All Key Employees have executed and delivered to Parent the Key Employees Agreement, each of which shall continue to be in full force and effect and no action shall have been taken by any individual party to any of such agreements to rescind any of such agreements, and none of such Key Employees shall have given any notice or other indication that they will not continue to be willing to be so employed following the Closing; (ii) all Key Employees have executed and delivered to Parent the Key Employees Retention Agreement, each of which shall continue to be in full force and effect and no action shall have been taken by any individual party to any of such agreements to rescind any of such agreements; and (iii) at least 85% of all of the Employees set forth on Section 5.15 of the Company Disclosure Schedule shall have executed and delivered to Buyer the Employment Offers and otherwise continued to be employees of the Company at Closing, and none of such Employees shall have given any notice or other indication that they will not continue to be willing to be so employed following the Closing. These conditions shall not derogate from the right of Parent to terminate the employment of any Employees, in its sole discretion, following the Closing.

(k) 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 6.2(k) of the Company Disclosure Schedule shall have been terminated as of the Effective Time.

(l) Signatory Rights etc. The Company shall have taken all actions reasonably requested by Parent and Buyer, in order to rescind any previously authorized signature authority in the Company and to grant such authority to representatives designated by Parent and Buyer.

(m) Unaccredited Company Stockholders. The number of Company Equityholders (excluding the Company Accredited Investors) who will be entitled to receive the Parent Ordinary Shares in accordance with this Agreement, will (as proven to Parent, at Parent's reasonable belief) not exceed thirty five (35).

(n) IP Assignment. All of the Service Providers listed in Section 6.2(n) of the Company Disclosure Schedule shall have executed and delivered to Parent a copy of a Non-Competition, Non-Solicitation, Proprietary and Confidential Information and Developments Agreement, substantially in the form of Exhibit J hereto.

(o) Indebtedness; Liens. There shall not be any outstanding Company Indebtedness (other than the Company Indebtedness listed on Section 6.2(o) of the Company Disclosure Schedule) nor Liens (other than liens for Taxes not yet due and payable) on any assets of the Company.

(p) Closing Deliverables. The Company shall deliver, or cause the delivery of, the following to Buyer: (1) the stock ledger of the Company; (2) all of the books and records of the Company; (3) certificate of good standing of the Company dated as of a recent date; and (4) such other customary documents, instruments or certificates as shall be reasonably requested by Buyer and as shall be consistent with the terms of this Agreement.

Section 6.3 Conditions to the Obligations of the Company. The obligations of the Company to consummate the transactions contemplated hereby are subject to the satisfaction or waiver by the Company, on or prior to the Closing Date, of the following further conditions:

(a) Performance. Each of the respective agreements and covenants of Parent, Buyer, Merger Sub 1 and Merger Sub 2 to be performed prior to the Closing pursuant to this Agreement shall have been duly performed in all material respects.

(b) Representations and Warranties. Each of the representations and warranties of Parent, Buyer, Merger Sub 1 and Merger Sub 2 contained in this Agreement and each other Ancillary Agreement to which any of them is a party shall have been true and correct as of the date hereof and shall be true and correct in all material respects (except for those heretofore qualified by any materiality standard, in which case, no duplicate standard of materiality shall be applied) 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 specified date, which such representations and warranties shall be true and correct in all material respects as of such specified date).

(c) Closing Documents. At the Closing, Parent and Buyer shall deliver or cause to be delivered to the Company (i) a certificate signed by an authorized officer of Parent and Buyer, dated as of the Closing Date, confirming the matters set forth in Sections 6.3(a) through 6.3(b), (ii) a Registration Rights Agreement, a form of which is attached hereto as Exhibit K, with all the Company Stockholders (other than Company Cashholders) who deliver their countersignature thereto prior to the Closing; and (iii) the Key Employee Agreements, duly executed by Buyer.

ARTICLE VII

Termination

Section 7.1 Termination. This Agreement may be terminated and the transactions contemplated hereby may be abandoned, at any time prior to the Closing:

(a) by mutual written consent of the Company and Parent;

(b) by either the Company or Parent, if:

(i) any Governmental Entity shall have issued, enacted, entered, promulgated or enforced any Legal Requirement or Order, permanently enjoining or prohibiting the transactions contemplated by this Agreement; or

(ii) the Merger shall not have occurred by March 31, 2015 (the "End Date"); provided, that a Party may not terminate this Agreement pursuant to this Section 7.1(b)(ii) if such Party's action or failure to act has been a principal cause of or resulted in the failure of the Merger to occur on or before the End Date and such action or failure to act constitutes breach of this Agreement.

(c) by Parent, if the Company, the Stockholders' Representative or any Principal Stockholder shall breach any representation, warranty, obligation or agreement hereunder or in the Stockholder Support Agreement, such that the conditions set forth in Section 6.2 would not be satisfied as of the time of such breach or as of the time such representation or warranty shall have become untrue, and such breach shall not have been cured, or by its nature cannot be cured, within seven (7) days of receipt by the Company of written notice of such breach; provided that Parent has not breached any of its representations, warranties, obligations or agreements hereunder, such that the conditions set forth in Section 6.3 would not be satisfied as of the time of the Company's or any Principal Stockholder's breach or as of the time such representations or warranty of the Company or any Principal Stockholder shall have become untrue;

(d) by the Company, if Parent, Merger Sub 1 or Merger Sub 2 shall breach any representation, warranty, obligation or agreement hereunder, such that the conditions set forth in Section 6.3 would not be satisfied as of the time of such breach or as of the time such representation or warranty shall have become untrue, and such breach shall not have been cured, or by its nature cannot be cured, within seven (7) days following receipt by Parent of written notice of such breach; provided that neither the Company nor any Principal Stockholder breached any of its representations, warranties, obligations or agreements hereunder, such that the conditions set forth in Section 6.2 would not be satisfied as of the time of Parent's breach or as of the time such representations or warranty of Parent shall have become untrue; or

(e) by Parent if any action taken, or any Legal Requirement enacted, promulgated or issued or deemed applicable to the Merger, by any Governmental Entity, which would: (i) prohibit Parent's (through Buyer) ownership or operation of all or any portion of the business of the Company or (ii) compel Parent to dispose of or hold separate all or any portion of the assets and properties of the Company, or limit its operation of the Company's business, as a result of the Merger.

Section 7.2 Effect of Termination. Any termination of this Agreement under Section 7.1 above will be effective immediately upon written notice of the terminating Party to the other Parties hereto specifying the provision of this Agreement on which such termination is based. In the event of the termination, this Agreement shall become void and have no effect and there shall be no liability hereunder on the part of either Party, except that (i) Section 5.2 (Confidentiality); Section 7.1 (Termination), this Section 7.2, and Article IX shall survive any termination of this Agreement, and (ii) nothing in this Section 7.2 shall relieve any Party of liability for any willful misconduct under this Agreement.

ARTICLE VIII

Holdback; Escrow, Set-Off; Survival; Indemnification

Section 8.1 Holdback; Escrow, Set-Off.

(a) The Parties have agreed that the Holdback Shares shall not be issued at Closing and, subject to this Article VIII, shall be issued to the Indemnifying Persons in accordance with the allocation set forth in the Final Payment Spreadsheet on the first Business Day following the date that is the 18th month anniversary of the Closing Date.

(b) Subject to Section 8.4(a) (including the priority and allocation set forth therein), the indemnification procedures in Section 8.5 and the other limitations set forth in this Article VIII, if Parent Indemnitees (as defined below) determine in good faith that they are entitled to seek indemnification pursuant to this Article VIII they may, in accordance with this Article VIII, set-off all or any portion of their good faith estimate of the amount of such indemnification claim against any portion of the Holdback Shares and the Earnout Payment Amount that may be payable hereunder.

(c) It is hereby clarified and agreed that Parent Indemnitees shall not be required to await with proceeding directly against Company Stockholders until the time that the Earnout Payment Amount is earned, except that if (i) on the date on which the Stockholders' Representative first receives a Claim Certificate with respect to such claim for indemnity, there is less than two (2) months prior to the due date of delivery of the next applicable Earnout Statement pursuant to Section 1.8(b) hereof, and (ii) it is reasonably likely that such Earnout Statement (as shall be prepared by Buyer and disregarding any possible objections thereto by the Stockholders' Representative) will result in the obligation of Buyer to pay an Earnout Payment Amount that is equal or exceeds all the then pending indemnity claims, then the Parent Indemnitees shall be required to await the time that such Earnout Payment Amount is earned prior to proceeding directly against Company Stockholders.

(d) For the sake of clarity, Buyer and Parent may withhold such portion of the Holdback Shares and/or of the Earnout Payment Amount (and the Escrow Agent shall not release to either the Buyer or the Company Stockholders from the Escrow Amount an amount) corresponding to the amount of Losses in an unresolved Claim Certificate delivered by a Parent Indemnitee in accordance with Section 8.5 until the parties fully and finally resolve such indemnity claims (or are deemed to be resolved pursuant to this Agreement) or a court of competent jurisdiction has issued a final judgment on the matter (a "Final Resolution"). It is further agreed that if and to the extent any indemnity claim is payable from the Holdback Shares, then the number of Parent Ordinary Shares which shall satisfy such claim (and, consequently, not to be issued to Company Equityholders) shall be determined by dividing (x) the amount of indemnity payable and being satisfied from the Holdback Shares by (y) the average closing market price per Parent Ordinary Share on the NASDAQ Stock Market for the 30 trading days prior to the Final Resolution.

Section 8.2 Survival of Representations, Warranties and Covenants.

(a) The representations and warranties of the Parties contained in this Agreement or in any certificate delivered pursuant to this Agreement shall survive the Closing until 5:00 p.m., EST on the eighteen (18th) month anniversary of the Closing Date ("Survival Period"); *provided however* that (i) the representations and warranties in Section 2.12 (*Intellectual Property*) (the "IP Representations") shall survive the Closing until 5:00 p.m., EST on June 30, 2017; (ii) the representations and warranties in Section 2.11 (*Tax Matters*) (the "Tax Representations"), shall survive the Closing until 5:00 p.m., EST on the fourth anniversary of Closing Date; and (iii) the Specified Representations shall survive the Closing until 5:00 p.m., EST, on the date that is sixty (60) days after the expiration of the statutes of limitations (including extensions thereof) applicable to the matters referenced therein. Covenants shall survive indefinitely, unless provided otherwise by their respective terms.

(b) Notwithstanding anything to the contrary herein, in no case shall the termination of the covenants or of the representations and warranties as provided in clause (a) above affect any claim for indemnification if written notice of such claim in accordance with this Article VIII is delivered to the Stockholders' Representative (in the case of a claim by Parent Indemnitees) or the Parent and Buyer (in the case of claims by the Company Stockholders), as applicable, prior to such termination.

Section 8.3 Indemnification. (a) Subject to the other provisions of this Article VIII, the Indemnifying Persons shall, severally and not jointly, based on such Indemnifying Person's Proportionate Indemnification Share of each Loss covered by this Section 8.3, indemnify, defend and hold harmless Buyer, Parent and each of its Subsidiaries (including, following the Second Effective Time, the Surviving Entity) and their respective officers, directors, Affiliates, agents, employees, Representatives, successors and permitted assigns (the "Parent Indemnitees") from and against any Losses suffered, incurred or paid, in connection with or arising out of (i) any breach of any of the Company's or Company Equityholder's representations and warranties in this Agreement or in any Support Agreement or in any instrument or certificate delivered pursuant to this Agreement or any Support Agreement (other than with respect to inaccuracies of any Specified Representations); (ii) any inaccuracy in or breach of any of the Specified Representations as well as any inaccuracy contained in the Final Payment Spreadsheet or the Company Net Working Capital Certificate; (iii) any breach of any of the Company's, the Stockholders' Representative or Indemnifying Person's covenants or agreements (including indemnity obligations under Section 1.8 hereof) in this Agreement or in any certificate delivered pursuant to this Agreement or in any Support Agreement; (iv) any claim by (A) a current or former Company Equityholder, or (B) any other Person or entity, seeking to assert, or based upon, ownership or rights to ownership of any shares of the Company Capital Stock or of any of its Subsidiaries or that he, she or it is entitled to any consideration pursuant to this Agreement and/or and any transaction contemplated hereby, including any portion of the Aggregate Merger Consideration that is not listed in the Final Payment Spreadsheet or any appraisal claim; (v) any and all Taxes of any Person (other than the Company) imposed on the Company, as a transferee or successor, by Contract or pursuant to any applicable Legal Requirement, which Taxes relate to an event or transaction occurring before the Closing Date; (vi) any of the matters set forth on Section 8.3 of the Company Disclosure Schedule; and (vii) any Legal Proceeding relating to clauses (1)-(vi) above for the purpose of enforcing any of Parent Indemnitees' rights under this Article VIII.

(b) Subject to the other provisions of this Article VIII, Parent and Buyer shall, severally and jointly, indemnify, defend and hold harmless the Company Stockholders and their respective officers, directors, Affiliates, agents, employees, Representatives, successors and permitted assigns (the "Stockholder Indemnitees") from and against any Losses suffered, incurred or paid, in connection with or arising out of (i) any breach of any of the Parent or Buyer's representations or warranties in this Agreement or in any instrument or certificate delivered pursuant to this Agreement; (ii) any breach of any of the Parent or Buyer's covenants or agreements in this Agreement or in any Support Agreement or in any instrument or certificate or writing delivered pursuant to this Agreement or any Support Agreement; and (iii) any Legal Proceeding relating to clauses (2)-(ii) above for the purpose of enforcing any of Stockholder Indemnitees' rights under this Article VIII.

(c) For purposes of this Article VIII, in determining the amount of Losses suffered as a result of a breach of any representation or warranty of the Company (but not as to whether a breach of any representation or warranty of the Company exists), any qualifications in the representations, warranties and covenants with respect to a "Material Adverse Effect," "materiality," "material," "in all material respects" or similar terms shall be disregarded.

(d) It is hereby acknowledged and agreed that, if the Surviving Entity suffers, incurs or otherwise becomes subject to any Losses as a result of or in connection with any inaccuracy in or breach of any representation, warranty, covenant or obligation, then (without limiting any of the rights of the Surviving Entity as a Parent Indemnitee), Parent and Buyer shall also be deemed, by virtue of Buyer's ownership of the stock of the Surviving Entity, to have incurred such Losses as a result of and in connection with such inaccuracy or breach.

(e) Notwithstanding any other provision in this Article VIII to the contrary, if, subsequent to the Closing, any of Parent, Buyer, the Surviving Entity or the Stockholders' Representative receives notice of a claim by any Tax authority (or by any other Governmental Entity with respect to Taxes) that, if successful, could reasonably be expected to result in a claim against or an indemnity payment by any Indemnifying Person hereunder (a "Tax Claim"), then within fifteen (15) Business Days after receipt of such notice, Parent, Buyer, the Surviving Entity or the Stockholders' Representative, as the case may be, will give written notice of such Tax Claim to the other parties; provided, that the failure to so notify shall not relieve the indemnifying party of its obligations hereunder, except to the extent that it is actually and materially prejudiced thereby. The Stockholders' Representative will have the right to control the negotiations, proceedings and resolution relating to any such Tax Claim if it notifies in writing the same to the Indemnified Party within fifteen (15) days from receipt of the Tax Claim notice; *provided that* such Tax Claim (i) would give rise to an indemnification obligation of the Company Stockholders pursuant to this Agreement and would not otherwise constitute an Excluded Third Party Claim; and (ii) the resolution of any such Tax Claim (or any portion thereof) would not affect the Taxes of the Surviving Entity or Parent or their respective Affiliates for a post-Closing Tax period. In the event that the Stockholders' Representative is not willing or able to assume (or have not timely assumed) the defense of such Tax Claim, then Parent will control the negotiations, proceedings and resolution relating to such Tax Claim (or portion thereof). In either event, neither party shall settle or compromise such Tax Claim without the consent of the Stockholders' Representative (in the case of Parent Indemnitees) or Buyer (in the case of the Stockholder Indemnitees), which consent shall not be unreasonably conditioned, delayed, or withheld. With respect to any Tax Claim properly controlled by the Stockholders' Representative pursuant to this Section 8.3(e), the Stockholders' Representative will keep Parent and Buyer informed of all developments on a timely basis; will employ counsel reasonably acceptable to Parent and Buyer; and will not resolve or settle such Tax Claim without Buyer's prior written consent, which consent will not be unreasonably withheld, conditioned, or delayed. With respect to any Tax Claim controlled by either party, the other party will be entitled to participate in the conduct and resolution of such Tax Claim using counsel of its choice. For the avoidance of doubt, this Section 8.3(e) shall apply to the control and defense of all Third Party Claims that primarily relate to Taxes

Section 8.4 Limitations on Indemnification.

(a) From and after the Closing, the right to obtain indemnification from the Escrow Amount, the Holdback Share Consideration and Earnout Payment Amount pursuant to the indemnification provisions of Section 8.3 shall be the Parent Indemnitees' sole source for recoupment of all Losses, except with respect to indemnification for Losses incurred pursuant to Sections 8.3(a)(ii) through 8.3(a)(vii) (collectively, the "Specified Claims"), for which Parent Indemnitees shall have the right to obtain indemnification, up to the total amount of Losses, in the following order: (i) *first*, at the discretion of the Parent Indemnitees, from the Escrow Amount and/or the Holdback Share Consideration; provided that, if, at the applicable time, Losses are capable of being fully satisfied from both the Escrow Amount and the Holdback Share Consideration, then not more than 40% of such Losses shall be satisfied with an offset of the Holdback Shares, (ii) *second*, if the Escrow Amount and/or the Holdback Share Consideration are not available at that time or otherwise insufficient to cover the Losses indicated in such notice, then from the Earnout Payment Amount (if paid or payable at that time) pursuant to the indemnification provisions of Section 8.3, and (iii) thereafter, to bring a claim directly against any Company Equityholders for its Proportionate Indemnification Share of the remaining Losses, all in accordance to Section 8.3 above and this Section 8.4.

(b) The maximum liability of (A) all Company Stockholders for indemnity claims (i) pursuant to Section 8.3(a)(i) - shall be the sum of (X) the Escrow Amount, *plus* (Y) the Holdback Share Consideration, *plus* (Z), fifteen percent (15%) of any Earnout Payment Amount actually paid (or payable but for the application of such indemnity) pursuant to Section 1.8(c); (ii) pursuant to Section 8.3(a)(i) with respect to the Tax Representations and IP Representations - shall be fifty percent (50%) and twenty five percent (25%), respectively, of the Aggregate Merger Consideration; and (iii) pursuant to Section 8.3(a)(ii) through (vii) (but, in the case of 8.3(a)(vii), only as it relates to Sections 8.3(a)(ii) through 8.3(a)(vi)) - shall be the Aggregate Merger Consideration; and (B) each Company Stockholder shall not in any event exceed its Proportionate Indemnification Share of such foregoing amounts. The maximum liability for indemnity claims of Parent and Buyer pursuant to Section 8.3(b)(i) shall not exceed $3,000,000. For purposes of clauses (A)(ii) and (A)(iii), "Aggregate Merger Consideration" shall mean the Aggregate Merger Consideration actually received or actually paid (or payable but for the application of such indemnity), it being understood that with respect to portions thereof paid or payable (but for the application of such indemnity) in Parent Ordinary Shares, other than the Earnout Payment Amount (since it is computed and valued in cash), the value of each Parent Ordinary Share shall be equal to $9.71.

(c) Parent Indemnitees shall not be entitled to any indemnification for any indemnification obligations of the Indemnifying Persons pursuant to Section 8.3(a)(i) unless and until the aggregate amount of Losses indemnifiable hereunder equals or exceeds $175,000 (the "Basket"), in which case the Parent Indemnitees shall be entitled to the entire amount of such Losses (from the first dollar of Losses) and not just the amount of Losses that exceed the Basket. Stockholders Indemnitees shall not be entitled to any indemnification for any indemnification obligations of Parent and Buyer for breach of Section 4.3 (*Consents and Approvals*), Section 4.4 (*SEC Filings*) and Section 4.7 (*Tax Matters*) unless and until the aggregate amount of Losses equals or exceeds $25,000, in which case the Stockholders Indemnitees shall be entitled to the entire amount of such Losses and not just the amount of Losses that exceed such amount.

(d) Notwithstanding anything to the contrary in this Section 8, the limitations set forth in (i) Sections 8.2(a), and Sections 8.4(a), 8.4(b) and 8.4(c), shall not apply with respect to any claim for indemnification arising out of or relating to commission of fraud or intentional misrepresentation, and (ii) Section 8.4(b) and (c) shall not apply with respect to any claim for indemnification arising out of or relating to (A) any inaccuracy in or breach of the Specified Representations or (B) any inaccuracy in the Final Payment Spreadsheet or the Company Net Working Capital Certificate.

(e) Notwithstanding anything herein to the contrary, in no event shall any indemnifying party have any liability for, and in no event shall "Losses" include, any punitive, exemplary damages or speculative damages (except that, in respect of any of the foregoing, damages awarded by a final non-appealable decision of a competent court or other authority having jurisdiction or arbitrator to a third party as part of a Third Party Claim shall be indemnifiable hereunder).

(f) Notwithstanding anything herein to the contrary, all Losses indemnifiable hereunder shall be reduced by:

(i) the value of any net Tax benefit actually realized by the Indemnified Parties (as defined below) after the Closing in connection with the Loss which forms the basis of the claim for indemnification hereunder by such Indemnified Parties. For purposes hereof, a Tax benefit will only exist to the extent that it results in, or with commercially reasonable steps capable of being taken (but without any obligation to do so) by the Indemnified Party, as to result in, a refund of or actual reduction in Tax with respect to the taxable period in which indemnification claim is paid, or on any Tax Return with respect thereto;

(ii) any insurance proceeds (net of deductibles and increase in premiums) actually received by the Indemnified Parties in connection with the Loss which forms the basis of the claim for indemnification hereunder by the Indemnified Parties; or

(iii) any contribution actually received (net of Taxes) from a third party (less the cost of enforcement of such rights) by the Parent Indemnitee (provided that such indemnification is not subject to any contribution or participation by any Indemnified Party nor is such third party entitled to any subrogation rights against such Indemnified Party with respect to the amounts indemnified by such third party).

Section 8.5 Indemnification Procedure.

(a) Any Parent Indemnitee or Stockholder Indemnitee who believes it may be entitled to indemnification pursuant to Section 8.3 (an "Indemnified Party"; provided that in case of Stockholder Indemnitee, it may act only through the Stockholders' Representative and in such case any reference in this Section 8.5 and in Section 8.8 to Indemnified Party shall be deemed to refer to the Stockholders' Representative acting on behalf of the Stockholder Indemnitee) may make an indemnification claim by delivering a claim certificate to the Stockholders' Representative (in case of Parent Indemnitees) or to Parent (in case of Stockholder Indemnitees) (in each case, a "Claim Certificate"), which Claim Certificate shall: (i) state the Losses indemnifiable hereunder; (ii) to the extent reasonably capable of estimation, a good faith estimate of the amount of Losses such Indemnified Party claims to have so incurred or suffered or reasonably believes in good faith it may incur or suffer and the Indemnified Party may update such estimate from time to time by written notice; and (iii) specify in reasonable detail (based upon the information then possessed by the Indemnified Party) the nature of the claim for which indemnification is being sought and the Section of this Agreement that claiming party believes has been breached. The sole and exclusive remedy for any defective Claim Certificate shall be a demand for cure of such defect and delivery of a conforming Claim Certificate

(b) In the event that Parent and Buyer or the Stockholders' Representative, as the case may be, shall object to the indemnification of an Indemnified Party in respect of any claim or claims specified in any Claim Certificate, they shall, within twenty (20) calendar days after receipt by the Indemnifying Person of such Claim Certificate, deliver a notice to such effect, specifying in reasonable detail the basis for such objection, and shall, within the twenty (20) day period beginning on the date of receipt by the Indemnified Party of such objection, attempt in good faith to agree upon the rights of the respective parties with respect to each of such claims. If they shall succeed in reaching agreement on their respective rights with respect to any of such claims, Parent, Buyer and the Stockholders' Representative shall promptly prepare and sign a memorandum setting forth such agreement. Should they be unable to agree as to any particular item or items or amount or amounts within such time period, then the Indemnified Party shall be permitted to submit such dispute to the courts as set forth in Section 9.12. Claims for Losses specified in any Claim Certificate to which there is no objection in writing by the applicable Party within twenty (20) days of receipt of such Claim Certificate shall be deemed final and binding.

Section 8.6 Third Party Claims.

(a) If a claim by a third party (a "Third Party Claim") is made against any Indemnified Party, and if such party intends to seek indemnity with respect thereto under this Article VIII, such Indemnified Party shall promptly notify the Stockholders' Representative or Parent and Buyer, as applicable, of such Third Party Claim (the "Third Party Claim Notice"); provided, that the failure to so notify shall not relieve the indemnifying party of its obligations hereunder, except to the extent that it is actually and materially prejudiced thereby. The Third Party Claim Notice shall include, based on the information then available to the Indemnified Party, the identity of such third party as well as the information required for a Claim Certificate.

(b) The Stockholders' Representative (on behalf of the Indemnifying Persons) or Parent and Buyer, as the case may be, shall be entitled to assume and control the defense of such Third Party Claim if it notifies in writing the same to the Indemnified Party within fifteen (15) days from receipt of the Third Party Claim Notice, provided that together with such written notice of assumption of defense the applicable indemnifying party irrevocably agrees that any and all indemnifiable Losses incurred by Parent Indemnitees or Stockholder Indemnitees in connection with such Third Party Claim, as the case may be, shall be recoverable. If the applicable Party assumes such defense then (i) subject to applicable attorney-client privilege limitations, the other party shall have the right to participate in the defense and, at its sole expense, to employ counsel reasonably acceptable to the indemnifying party, separate from the counsel employed by the indemnifying party, and (ii) the reasonable costs and expenses incurred by the Indemnified Party in connection with such defense, settlement, or resolution (including reasonable attorneys' fees) shall be included in the Losses for which it may seek indemnification hereunder and, if there is a Third Party Claim that, if adversely determined, would give rise to a right of indemnification hereunder, such costs and expenses shall constitute Losses regardless of the outcome of such claim. The indemnifying party (which, in the case of the Indemnifying Persons, the Stockholders' Representative on his own behalf) shall not admit any liability with respect to, or settle, compromise or discharge any Third Party Claim without the Indemnified Party's prior written consent (which consent shall not be unreasonably withheld, conditioned or delayed).

(c) Notwithstanding the foregoing, the Stockholders' Representative shall not be entitled to assume the defense of any Third Party Claim which involves a claim (i) that, in the reasonable judgment of Parent and Buyer, would result in Losses in excess of the then available, if any, Escrow Amount or Holdback Shares or any other claim that seeks monetary damages the amount of which would reasonably be expected to exceed any limitation on the amount of Losses that may be recovered under this Article VIII (after satisfaction of other pending indemnity claims), (ii) primarily relating to an allegation of infringement of third party Intellectual Property Rights, (iii) involving criminal liability or in which injunction or other equitable relief is sought against any Parent Indemnitee, or (iv) that has been brought by or on behalf of any customer or supplier of Parent or any of its Affiliates (which Affiliates shall include the Surviving Entity) with respect to such customer or supplier relationship (each of (i) to (iv), an "Excluded Third Party Claim"). In each such case, the Stockholders' Representative may not elect to retain the defense of such Third Party Claim (or, if such Third Party Claim was previously assumed by the Stockholders' Representative, the Stockholders' Representative shall immediately relinquish control thereof to the Parent Indemnitees), and the Parent Indemnitees will be entitled to be indemnified by the Indemnifying Parties for any indemnifiable Losses incurred in such defense (including, without limitation, reasonable attorneys fees), subject to the limitations set forth in this Article VIII.

(d) In the case where an Indemnified Party shall assume the defense of a Third Party Claim, it will keep the indemnifying person (in the case of the Indemnifying Persons, the Stockholders' Representative on their behalf) reasonably informed about developments and progress in respect of such Third Party Claim. The Indemnified Party shall not admit any liability with respect to, or settle, compromise or discharge any Third Party Claim, without the indemnifying person's prior written consent (which consent shall not be unreasonably withheld, conditioned or delayed).

(e) Any amounts set-off by the Parent Indemnitees pursuant to Section 8.1(b) of this Agreement, paid out of the Escrow Amount to a Parent Indemnitee or recovered directly from Company Stockholders shall be counted towards and included within the maximum liability of the Company Stockholders under Section 8.4(b), if and as applicable. Additionally, to the extent any amounts that have been set-off under Section 8.4(b) are ultimately determined by Final Resolution not to be Losses indemnifiable hereunder, Parent and Buyer shall promptly pay any such amounts to the Company Stockholders as initially contemplated in Section 1.8.

(f) Notwithstanding Section 9.12 below, in the event of a Third Party Claim against the Parent Indemnitees, such parties may, at their sole discretion, elect to file a joinder / third party claim against the other parties hereto, as applicable, before the same court or arbitration tribunal in which the Third Party Claim was filed. Each party irrevocably submits to the jurisdiction and rules of such court or arbitration tribunal.

Section 8.7 No Right of Contribution. Neither the Stockholders' Representative nor any Indemnifying Person shall be entitled to make any claim for contribution from the Company or the Surviving Entity with respect to any indemnity claims arising under or in connection with this Agreement, and the Stockholders' Representative on his own behalf and on behalf of all Indemnifying Persons, hereby waives any such right of contribution from the Company or the Surviving Entity it has or may have in the future.

Section 8.8 Effect of Investigation; Reliance. The right to indemnification, payment of Losses or any other remedy will not be affected by any investigation conducted with respect to, or any knowledge acquired (or capable of being acquired) at any time, whether before or after the execution and delivery of this Agreement or the Closing Date, with respect to the accuracy or inaccuracy of or compliance with, any representation, warranty, covenant or agreement made by the Company or a Company Equityholder or any other matter. The waiver of any condition based on the accuracy of any such representation or warranty, or on the performance of or compliance with any such covenant or agreement, will not affect the right to indemnification, payment of Losses, or any other remedy based on any such representation, warranty, covenant or agreement. No Parent Indemnitee shall be required to show reliance on any representation, warranty, certificate or other agreement in order for such Parent Indemnitee to be entitled to indemnification hereunder.

Section 8.9 Treatment of Payments. Any payment under Article VIII of this Agreement shall be treated by the parties for income Tax purposes as an adjustment to the Aggregate Merger Consideration.

Section 8.10 Exclusivity. As of the Closing Date, the indemnification provisions contained in this Article VIII are intended to provide the sole and exclusive remedy as to all Losses any of the Indemnified Persons may incur arising from or relating to this Agreement, the agreements and documents contemplated hereby and the transactions contemplated hereby and thereby, and each of the parties hereby waives (and, in the case of the Stockholders Indemnitees, the Stockholders' Representative on their behalf), to the fullest extent provided by applicable Legal Requirement, any other rights or remedies for monetary damages that may arise under any applicable Legal Requirements. Notwithstanding the foregoing, nothing in this Agreement shall limit any right to specific performance or injunctive relief, or any right or remedy arising by reason of any claim of fraud or intentional misrepresentation with the respect to this Agreement or any of the other Ancillary Agreements.

Section 8.11 No Circular Recovery. No Stockholder Indemnitee shall make any claim for indemnification against the Parent, Buyer, Company or the Surviving Entity by reason of the fact that such Stockholder Indemnitee was a controlling person, director, employee or representative of the Company or the Surviving Entity or was serving as such for another Person at the request of the Buyer or the Company (whether such claim is for Losses of any kind or otherwise and whether such claim is pursuant to any statute, organizational document, contractual obligation or otherwise) with respect to any claim brought by a Parent Indemnitee against any Stockholder Indemnitee relating to this Agreement or the transactions contemplated hereunder. With respect to any claim brought by a Parent Indemnitee against any Stockholder Indemnitee relating to this Agreement or the transactions contemplated hereunder, each Stockholder Indemnitee shall expressly waive any right of subrogation, contribution, advancement, indemnification or other claim against the Company with respect to any amounts owed by such Stockholder Indemnitee pursuant to this Article VIII.

Section 8.12 Stockholders' Representative.

(a) The Indemnifying Persons, by approving this Agreement and the transactions contemplated hereby, irrevocably agree to appoint and constitute Frank Gelbart (and by the execution of this Agreement as the Stockholders' Representative, Frank Gelbart hereby accept of his appointment) for and on behalf of the Indemnifying Persons as the true, exclusive and lawful agents and attorney-in-fact for and on behalf of each such Indemnifying Person to act: (i) as Stockholders' Representative under this Agreement and the Paying Agent Agreement, and to have the right, power and authority to perform all actions (or refrain from taking any actions) the Stockholders' Representative shall deem necessary, appropriate or advisable in connection with, or related to, this Agreement, the Paying Agent Agreement and the Escrow Agent Agreement and the transactions contemplated hereby and thereby; (ii) in the name, place and stead of each Company Stockholders (A) in connection with the Merger and the transactions contemplated by this Agreement and in accordance with the terms and provisions of this Agreement, and (B) in any proceeding involving this Agreement, to do, or refrain from doing, all such further acts and things, necessary, appropriate or advisable in connection with any of the foregoing, including execute and deliver all such documents as the Stockholders' Representative shall deem necessary or appropriate in connection with the Merger, including this Agreement or agreeing to any modification or amendment of this Agreement in accordance with Section 9.10 hereof, the Paying Agent Agreement or the Escrow Agent Agreement and executing and delivering an agreement of such modification or amendment. Without derogating from the generality of the foregoing, as of the date hereof the Stockholders' Representative shall have the right, power and authority to: (i) give and receive notices and communications, executed by the Stockholders' Representative (ii) authorize delivery to Parent Indemnitees of the applicable portion of the Aggregate Merger Consideration or supplemental indemnification amounts, if any, in satisfaction of claims by Indemnified Parties, (iii) object to such deliveries, (iv) agree to, negotiate, defend, resolve, enter into settlements and compromises of, any suit, proceeding, claim or dispute under this Agreement, the Paying Agent Agreement or the Escrow Agent Agreement on behalf of the Indemnifying Persons and comply with orders of courts and awards of arbitrators with respect to such claims, (v) to agree to, negotiate, enter into and provide amendments and supplements to and waivers in respect of this Agreement, the Paying Agent Agreement and the Escrow Agent Agreement, (vi) retain legal counsel, accountants, consultants, advisors and other experts, and incur any other reasonable expenses, in connection with all matters and things set forth or necessary with respect to this Agreement and the Ancillary Agreements and the transactions contemplated hereby and thereby; (vii) apply the Rep Reimbursement Amount to the payment of (or reimbursement of the Stockholders' Representative for) expenses and liabilities which the Stockholders' Representative may incur pursuant to this Agreement; and (viii) to take all actions necessary or appropriate in the judgment of the Stockholders' Representative for the accomplishment of any or all of the foregoing. The identity of the Stockholders' Representative may be changed by the holders of a majority of the Proportionate Indemnification Share (the "Majority Holders") from time to time upon not less than fifteen (15) days' prior written notice to all of the Indemnifying Persons and to Buyer and Parent. The Stockholders' Representative may resign from his position by providing a 15-day prior written notice to the Indemnifying Persons and in such case, or in the case of death, disability, or inability of the Stockholders' Representative, the Majority Holders shall, within fifteen (15) days from such event, appoint a replacement Stockholders' Representative and notify Parent. No bond shall be required of the Stockholders' Representative and the Stockholders' Representative shall receive no compensation for his services. Notices or communications to or from the Stockholders' Representative shall constitute notice to or from each of the Indemnifying Persons. Any and all decisions, acts, consents or instructions made or given by the Stockholders' Representative in connection with this Agreement, the Paying Agent Agreement or the Escrow Agent Agreement shall constitute a decision of all the Company Stockholders and shall be final, binding and conclusive upon each and every Company Stockholder, and the Parent shall be entitled to rely upon any such decision, act, consent or instruction of the Stockholders' Representative provided that in the event that there are more than one Person performing the role of the Stockholders' Representative such decision, act, consent or instruction are evidenced by a document jointly executed by both Representatives. This power of attorney is coupled with an interest and is irrevocable.

(b) The Stockholders' Representative shall be entitled to receive reimbursement from any Rep Reimbursement Amounts retained on behalf of the Stockholders' Representative for any and all expenses, charges and liabilities, including reasonable attorneys' fees, incurred by the Stockholders' Representative in the performance or discharge of its rights and obligations under this Agreement (the "Rep Expenses"). The Rep Reimbursement Amount shall only be used for the payment of the Rep Expenses or as otherwise required by this Agreement. The Stockholders' Representative will not be required to take any action involving any expense unless the payment of such expense is made or provided for in a manner satisfactory to him. The Company Stockholders shall be responsible for and shall, jointly and severally, on a pro rata basis based on their Proportionate Indemnification Share, reimburse the Stockholders' Representative or any member thereof upon demand for all reasonable expenses, disbursements and advances incurred or made by the Stockholders' Representative in accordance with any of the provisions of this Agreement, the Paying Agent Agreement, the Escrow Agent Agreement or any other documents executed in connection herewith or therewith, including the costs and expense of receiving advice of counsel according to this Agreement, the Paying Agent Agreement and the Escrow Agent Agreement. Any of the Rep Reimbursement Amount deposited with the Escrow Agent that has not been consumed by the Stockholders' Representative pursuant to the terms of this Agreement on or prior to the end of the period in which Parent may make claims for indemnification pursuant to Article VIII or, if later, the date on which all indemnification claims of Parent outstanding at the end of such period have been discharged in full, shall be distributed by the Escrow Agent to the Company Stockholders on a proportionate basis based on the Proportionate Indemnification Share.

(c) The Stockholders' Representative will not incur any liability with respect to any action taken or suffered by him in reliance upon any notice, direction, instruction, consent, statement or other document believed by him, her or 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, except his own willful misconduct or gross negligence. In all questions arising under this Agreement, the Paying Agent Agreement or the Escrow Agent Agreement, the Stockholders' Representative may rely on the advice of counsel, and the Stockholders' Representative will not be liable to the Company Stockholder for anything done, omitted or suffered by the Stockholders' Representative based on such advice. Each Company Stockholder hereby releases the Stockholders' Representative from any loss (including any losses incurred, as such losses are incurred), liability or expense for, arising out of or in connection with the acceptance or administration of the Stockholders' Representative's duties hereunder or any action taken or not taken by any of them, her or it in his, her or its capacity as such agent (including the legal costs and expenses of defending the Stockholders' Representative against any claim or liability (and all actions, claims, proceedings and investigations in respect thereof) in connection with, caused by or arising out of, directly or indirectly, the performance of the Stockholders' Representative's duties hereunder), except for the liability of the Stockholders' Representative to a Company Stockholder for loss which such holder will suffer from the willful misconduct of the Stockholders' Representative in carrying out their duties hereunder. In addition, and without derogating from the generality of the foregoing, the Indemnifying Persons shall severally and jointly, indemnify the Stockholders' Representative and hold him harmless against any loss (including any losses incurred, as such losses are incurred), liability or expense for, arising out of or in connection with the acceptance or administration of the Stockholders' Representative's duties hereunder or any action taken or not taken by any of them, her or it in his, her or its capacity as such agent (including the legal costs and expenses of defending the Stockholders' Representative against any claim or liability (and all actions, claims, proceedings and investigations in respect thereof) in connection with, caused by or arising out of, directly or indirectly, the performance of the Stockholders' Representative's duties hereunder), except for the liability of the Stockholders' Representative to a Company Stockholder for loss which such holder will suffer from the gross negligence or willful misconduct of the Stockholders' Representative in carrying out their duties hereunder.

(d) The Stockholders' Representative shall treat confidentially and, subject to any Legal Requirement, not disclose any nonpublic information from or about the Company (as the Surviving Entity) or Parent to anyone (except on a need to know basis to individuals (identified to the Company and Parent in writing in advance) who agree in writing to treat such information confidentially)

(e) Subject to the provisions of this Section 8.12, a decision, act, consent or instruction of the Stockholders' Representative shall constitute a decision of all of the Indemnifying Persons and shall be final, binding and conclusive upon each and every Indemnifying Person, and the other Parties may rely upon any decision, act, consent or instruction of the Stockholders' Representative as being the decision, act, consent or instruction of each and every Indemnifying Person. Each of Parent and Buyer is hereby relieved from any liability to any Person for any acts done by them in accordance with such decision, act, consent or instruction of the Stockholders' Representative.

ARTICLE IX

Miscellaneous

Section 9.1 Definitions. When used in this Agreement, the following terms shall have the respective meanings specified therefor below.

"401(k) Plan" has the meaning set forth in Section 5.9 of this Agreement.

"2015 Earnout Shares" has the meaning set forth in Section 1.8(c)(iv) of this Agreement.

"2015 Earnout Statement" has the meaning set forth in Section 1.8(c)(i) of this Agreement.

"2015 Payment" has the meaning set forth in Section 1.8(b)(i) of this Agreement.

"2015 Revenues" has the meaning set forth in Section 1.8(b)(i) of this Agreement.

"2015 Target" has the meaning set forth in Section 1.8(b)(i) of this Agreement.

"2016 Earnout Shares" has the meaning set forth in Section 1.8(c)(iv) of this Agreement.

"2016 Earnout Statement" has the meaning set forth in Section 1.8(c)(i) of this Agreement.

"2016 Payment" has the meaning set forth in Section 1.8(b)(ii) of this Agreement.

"2016 Revenues" has the meaning set forth in Section 1.8(b)(ii) of this Agreement.

"2016 Target" has the meaning set forth in Section 1.8(b)(ii) of this Agreement.

"Adjustment Certificate" has the meaning set forth in Section 1.8(g)(ii) of this Agreement.

"Adverse Change" has the meaning set forth in Section 1.8(c)(vii) of this Agreement.

"Affiliate" of any Person shall mean any other Person directly or indirectly controlling, controlled by, or under common control with, such Person; provided, that, for the purposes of this definition, "control" (including, with correlative meanings, the terms "controlled by" and "under common control with"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by Contract or otherwise.

"Agreement" has the meaning ascribed to it in the Preamble.

"Aggregate Cash Consideration" shall mean the sum of the Closing Cash Consideration, the Escrow Amount and any amounts of the Earnout Payment Amount paid by the Buyer in Cash.

"Aggregate Merger Consideration" shall mean the sum of the Aggregate Share Consideration and the Aggregate Cash Consideration.

"Aggregate Share Consideration" shall mean the sum of the Closing Share Consideration, the Holdback Share Consideration, the 2015 Earnout Shares issued, if any, and the 2016 Earnout Shares issued, if any.

"Alternative Transaction" has the meaning set forth in Section 5.4(a) of this Agreement.

"Ancillary Agreements" has the meaning set forth in Section 2.2(a) of this Agreement.

"Authorized Persons" has the meaning set forth in Section 1.8(e)(i) of this Agreement.

"Average Price" shall mean the average closing market price per Parent Ordinary Share on the NASDAQ Stock Market for the 30 trading days prior to the specified date.

"Balance Sheet Date" has the meaning set forth in Section 2.4(a) of this Agreement.

"Basket" has the meaning set forth in Section 8.4(c) of this Agreement.

"Beneficiary" has the meaning set forth in Section 3.1(i) of this Agreement.

"Benefit Plans" has the meaning set forth in Section 2.9(a) of this Agreement.

"Business" shall mean the business of the Company.

"Business Day" shall mean any day except a Friday, Saturday, a Sunday or any other day on which commercial banks are required or authorized or obligated by law or executive order to close in Tel Aviv, Israel or New York, USA.

"Buyer" has the meaning ascribed to it in the Preamble.

"Buyer NWC Certificate" has the meaning set forth in Section 1.8(g)(ii) of this Agreement.

"Certificate of Merger" has the meaning set forth in Section 1.3 of this Agreement.

"Certificates" has the meaning set forth in Section 1.8(h)(iii) of this Agreement.

"Claim Certificate" has the meaning set forth in Section 8.5(a) of this Agreement.

"Closing" has the meaning set forth in Section 1.2 of this Agreement.

"Closing Balance Sheet" has the meaning set forth in Section 1.8(e)(i) of this Agreement.

"Closing Cash Consideration" has the meaning set forth in Section 1.8(a)(i) of this Agreement

"Closing Certificate" has the meaning set forth in Section 6.2(e) of this Agreement.

"Closing Date" has the meaning set forth in Section 1.2 of this Agreement.

"Closing Share Consideration" shall mean 581,874 Parent Ordinary Shares, which amount shall be subject to adjustment for any share combination, subdivision or other recapitalization of the Parent Ordinary Shares occurring at any time prior to or at the Closing (such that in the event that prior to or at the Closing, Parent effects a subdivision of its Parent Ordinary Shares and the number of Parent Ordinary Shares is increased, the Aggregate Share Consideration shall be proportionately increased and conversely, if the Parent combines the outstanding Parent Ordinary Share into a smaller number of shares prior to or at the Closing, the Aggregate Share Consideration shall be proportionately decreased).

"COBRA" has the meaning set forth in Section 2.9 of this Agreement.

"Code" shall mean the U.S. Internal Revenue Code of 1986, as amended, and the regulations promulgated and the rulings issued thereunder.

"Collective Bargaining Agreement" shall mean any and all written agreements, arrangements, memorandums of understanding, contracts, letters, side letters and contractual obligations of any kind, nature and description, that have been entered into between the Company or any employers' organization in which the Company is a member and any employees' organization.

"Common Amount" has the meaning set forth in Section 1.8(d)(iv) of this Agreement.

"Common Cash Amount" has the meaning set forth in Section 1.8(d)(iv) of this Agreement.

"Common Share Amount" has the meaning set forth in Section 1.8(d)(iv) of this Agreement.

"Company" has the meaning ascribed to it in the Preamble.

"Company AA Preferred Stock" shall mean the Series AA Preferred Stock, par value $0.001 per share, of the Company.

"Company AA-1 Preferred Stock" shall mean the Series AA-1 Preferred Stock, par value $0.001 per share, of the Company.

"Company AA-2 Preferred Stock" shall mean the Series AA-2 Preferred Stock, par value $0.001 per share, of the Company.

"Company Accredited Investor" has the meaning ascribed to it in the Preamble.

"Company Assignment and Confidentiality Agreement" has the meaning set forth in Section 2.12(f) of this Agreement.

"Company Board" has the meaning set forth in Section 2.2 of this Agreement.

"Company Capital Stock" shall mean the Company Common Stock and the Company Preferred Stock, and any other shares of capital stock of the Company.

"Company Cash" means the amount equal to the amount of cash and short term deposits (i.e., available for withdrawal with 5 Business Days) deposited in the Company's bank account, *minus* the Company Transaction Expenses and Company Indebtedness, if any, that have not been fully paid or repaid through the Closing Date.

"Company Cashholder" has the meaning set forth in Section 1.8(i) of this Agreement.

"Company Common Stock" shall mean the common stock, par value $0.001 per share, of the Company.

"Company Disclosure Schedule" has the meaning set forth in ARTICLE II of this Agreement.

"Company Equity Securities" shall mean Company Capital Stock, or any securities that are exchangeable or convertible into Company Capital Stock, including Company Stock Options and Company Warrants, immediately prior to the Effective Time.

"Company Equityholders" shall mean Company Stockholders and holders of Company Options.

"Company EULA" shall mean the standard customer/end user license agreement used by the Company for licensing the Company Products, a copy of which has been made available to Parent.

"Company Indebtedness" shall mean, as of any specified date, the amount equal to the sum (without any double-counting) of the following obligations (whether or not then due and payable or with recourse or not), to the extent they are of the Company or guaranteed by the Company, including through the grant of a security interest upon any assets of such Person: (i) all outstanding obligations for borrowed money; (ii) obligations evidenced by notes, bonds, debentures or similar instruments, or pursuant to any guaranty or arrangements having the economic effect of a guarantee (excluding trade payables), or that are secured by a Lien on property or assets; (iii) obligations under capital leases; (iv) any reimbursement obligation with respect to letters of credit, bankers' acceptances or similar facilities issued for the account of such Persons and any obligations issued or assumed as the deferred purchase price of property or services (other than accounts payable incurred in the ordinary course of business); (v) amounts accrued (after being due) in respect of milestone payments; (vi) accrued but unpaid royalty obligations; (vii) asset retirement obligations and similar obligations; (viii) obligations evidenced by any securitization or factoring arrangements; and (ix) principal, interest (including default interest), premiums, penalties (including prepayment and early termination penalties and default penalties or judgments), breakage fees and other amounts owing in respect of the items described in the foregoing clauses (i) through (viii). For the avoidance of doubt, (a) accounts payable arising in the ordinary course of business and (b) any Company Transaction Expenses, shall not be considered Indebtedness.

"Company Intellectual Property" shall mean any and all Intellectual Property and Intellectual Property Rights that are owned or used by, or purported to be owned by, or licensed to, the Company. "Company Intellectual Property" includes Company Registered Intellectual Property.

"Company Leases" has the meaning set forth in Section 2.16 of this Agreement.

"Company Net Working Capital" means (A) the Company's total current assets as of the close of business on the Closing Date, including Company Cash (as determined in accordance with GAAP) less (B) the Company's total current liabilities as of the close of business on the Closing Date (as determined in accordance with GAAP). The calculation of Company Net Working Capital shall be based on the books and records of the Company. For the avoidance of doubt, it is hereby agreed that for purposes of calculation of Company Net Working Capital (i) current liabilities shall exclude deferred revenues, (ii) current liabilities shall exclude Company Transaction Expenses and Company Indebtedness (other than as set forth on Section 6.2(o) of the Company Disclosure Schedule) to the extent fully paid by the Company at or prior to Closing, (iii) current liabilities shall include employee-related liabilities (including salaries, sales commissions and bonuses), and (iv) current assets shall exclude the Excluded AR (if applicable).

"Company Net Working Capital Certificate" has the meaning set forth in Section 1.8(g)(i) of this Agreement.

"Company Option Plan" shall mean collectively, each equity incentive plan, program or arrangement of the Company.

"Company Optionholders" means the holders of Company Stock Options.

"Company Owned Intellectual Property" means Intellectual Property in which the Company has or purports to have an ownership interest.

"Company Preferred Stock" shall mean the Company AA Preferred Stock, Company AA-1 Preferred Stock and the Company AA-2 Preferred Stock.

"Company Products" shall mean the Appfluent Visability product (as and if renamed or rebranded), including maintenance and related services.

"Company Registered Intellectual Property" shall mean the applications, registrations, patents and other filings for Intellectual Property Rights that have been registered, filed, certified, issued or otherwise perfected or recorded with or by any Governmental Entity by or in the name of the Company.

"Company Series AA-2 Agreements" shall mean that certain Series AA-2 Preferred Stock Purchase Agreement, dated January 2, 2013, by and among the Company and the other signatories thereto; and the related Second Amended and Restated Investor Rights Agreement, the Second Amended and Restated Right of First Refusal and Co-Sale Agreement, and the Second Amended and Restated Voting Agreement, all dated as of even date.

"Company Stock Options" shall mean any issued and outstanding option (including commitments to grant options and including warrants or other rights, but excluding Company Preferred Stock) to subscribe for, purchase or otherwise acquire any securities of the Company (whether or not vested).

"Company Stockholders" shall mean the holders and beneficial owners of Company Capital Stock.

"Company Transaction Expenses" shall mean all expenses (including VAT imposed thereon, if any) incurred or to be incurred by the Company prior, through and following the Closing Date in connection with the negotiation, preparation and execution of this Agreement and the consummation of the transactions contemplated hereby and the Closing, including out of pocket costs, fees and disbursements of financial advisors, attorneys, accountants and other advisors and service providers, or any similar charges in connection with this Agreement or any transaction contemplated hereby, including also the costs of any severance payments to directors, officers and employees, bonuses, retention payments and any other change of control or similar payments payable as a result of or in connection with the transactions contemplated by this Agreement, in each case, as payable by the Company at or after the Closing.

"Company Warrants" shall mean the Amended and Restated Warrant, dated June 15, 2007, issued to Comerica Ventures Inc., a copy of which was made available to Buyer.

"Confidentiality Agreement" has the meaning set forth in Section 5.2 of this Agreement.

"Consultant" has the meaning set forth in Section 2.9(j) of this Agreement.

"Contract" shall mean any note, bond, mortgage, indenture, guarantee, license, franchise, permit, agreement, understanding, arrangement, contract, commitment, letter of intent, or other instrument or obligation (whether oral or written), and any amendments thereto.

"Copyleft License" means a Software license that requires, as a condition of use, modification and/or distribution of Software licensed under such license, that other Software or content incorporated into, derived from, used, or distributed with such Software: (i) be made available or distributed in non-binary form, (ii) be licensed for the purpose of preparing derivative works, (iii) be licensed under terms that allow the Company Products or portions thereof or interfaces therefor to be reverse engineered, reverse assembled or disassembled (other than by operation of law), or (iv) be redistributable or used for no license fee. Copyleft Licenses include without limitation the GNU General Public License, the GNU Lesser General Public License, the Mozilla Public License, the Common Development and Distribution License, the Eclipse Public License, and all Creative Commons "sharealike" licenses.

"DGCL" has the meaning ascribed to it in the Preamble.

"Dissenting Shares" has the meaning set forth in Section 1.8(m) of this Agreement.

"Earnout Objection Notice" has the meaning set forth in Section 1.8(c)(ii) of this Agreement.

"Earnout Payment Amount" has the meaning set forth in Section 1.8(b) of this Agreement.

"Earnout Shares" has the meaning set forth in Section 1.8(c)(iv) of this Agreement.

"Earnout Statement" has the meaning set forth in Section 1.8(c)(i) of this Agreement.

"Effective Time" has the meaning set forth in Section 1.3.

"Employee" shall mean any former or current employee of the Company.

"Employee Representative" shall mean any labor union, trade union, labor organization, employee organization, works council, European works council, workers' committee, bargaining representatives, or any other type of employees' representatives appointed for information, consultation and/or collective bargaining purposes.

"Employment Offers" has the meaning set forth in Section 5.15(a) of this Agreement.

"End Date" has the meaning set forth in Section 7.1(b)(ii) of this Agreement.

"Equityholder Claim" has the meaning set forth in Section 3.1(i) of this Agreement.

"ERISA" has the meaning set forth in Section 2.9(a) of this Agreement.

"Escrow Agent" has the meaning set forth in Section 1.8(h)(i) of this Agreement.

"Escrow Agent Agreement" has the meaning set forth in Section 1.8(h)(i) of this Agreement.

"Escrow Amount" has the meaning set forth in (B) of this Agreement.

"EST" shall mean Eastern Standard Time.

"Exchange Act" has the meaning set forth in Section 4.4(a) of this Agreement.

"Excluded AR" has the meaning set forth in Section 1.8(g) of this Agreement.

"Excluded Shares" has the meaning set forth in Section 1.8(l) of this Agreement.

"Excluded Third Party Claim" has the meaning set forth in Section 8.6(c) of this Agreement.

"Expiration Date" has the meaning set forth in Section 5.1 of this Agreement.

"Export Control and Import Laws" shall mean applicable Legal Requirements concerning export and import and governing embargoes, sanctions and boycotts, including the Arms Export Controls Act (22 U.S.C. §2778), the International Emergency Economic Powers Act (50 U.S.C. § 1701 et seq.), the Export Administration Act of 1979 (50 U.S.C. app. 2401 2420), the International Traffic in Arms Regulations (22 C.F.R. § 120 et seq.), the Export Administration Regulations (15 C.F.R. § 730 et. seq.) and all Legal Requirements relating to any of the foregoing, and the laws administered by the Office of Foreign Assets Controls of the U.S. Department of the Treasury, and the laws administered by U.S. Customs and Border Protection.

"Final Payment Spreadsheet" has the meaning set forth in Section 1.8(e)(i) of this Agreement.

"Final Resolution" has the meaning set forth in Section 8.1(d) of this Agreement.

"Financial Statements" has the meaning set forth in Section 2.4(a) of this Agreement.

"FIRPTA Certificate" has the meaning set forth in Section 5.11 of this Agreement.

"Foreign Corrupt Practices Act" shall mean the Foreign Corrupt Practices Act of the United States, 15 U.S.C. Sections 78a, 78m, 78dd 1, 78dd 2, 78dd 3, and 78ff, as amended, if applicable, or any similar Legal Requirement of any jurisdiction where one or more properties owned or leased by the Company is located or where the Company transacts business or any other jurisdiction, if applicable.

"Form of Employment Agreement" has the meaning set forth in Section 2.10(h) of this Agreement.

"GAAP" shall mean generally accepted accounting principles in the United States, consistently applied, as in effect at the time covered by the applicable financial statements.

"Government Contracts" has the meaning set forth in Section 2.14 of this Agreement.

"Governmental Entity" shall mean any U.S. or non U.S. federal, state, provincial or local court, arbitral tribunal, administrative agency or commission or other governmental or regulatory agency or authority or any securities exchange.

"Holdback Share Consideration" shall mean 144,181 Parent Ordinary Shares, which amount shall be subject to adjustment for any share combination, subdivision or other recapitalization of the Parent Ordinary Shares occurring at any time prior to or at the Closing/applicable payment date (such that in the event that prior to or at the Closing/applicable payment, Parent effects a subdivision of its Parent Ordinary Shares and the number of Parent Ordinary Shares is increased, the Holdback Share Consideration shall be proportionately increased and conversely, if the Parent combines the outstanding Parent Ordinary Share into a smaller number of shares prior to or at the Closing, the Holdback Share Consideration shall be proportionately decreased). Such number of Parent Ordinary Shares held back shall be referred to herein as the "Holdback Shares."

"Indemnified Party" has the meaning set forth in Section 8.5(a) of this Agreement.

"Indemnifying Person" shall mean the Company Equityholders (excluding the Company Cashholders) who are entitled to receive any portion of the Aggregate Merger Consideration.

"Information Statement" has the meaning set forth in Section 5.6 of this Agreement.

"Instruction Letter" has the meaning set forth in Section 1.8(a)(ii) of this Agreement.

"Intellectual Property" shall mean any or all of the following (i) works of authorship including computer programs, source code, and executable code, whether embodied in Software, or otherwise, architecture, documentation, designs, files, records, and proprietary data, (ii) inventions (whether or not patentable), discoveries and improvements, (iii) intellectual property or industrial property rights in proprietary and confidential information and Trade Secrets (iv) databases, data compilations and collections and proprietary technical data, (v) logos, trade names, trade dress, trademarks and service marks, (vi) domain names, web addresses and sites, (vii) tools, methods and processes, (viii) devices, prototypes, schematics, breadboards, netlists, test methodologies, verilog files, emulation and simulation reports, test vectors and hardware development tools and (ix) any and all instantiations of the foregoing in any form and embodied in any media.

"Intellectual Property Rights" shall mean on a worldwide basis, any and all (i) patents, patent applications and inventors' certificates, (ii) copyrights, copyright registrations and copyright applications and "moral" rights and other rights of authors, (iii) mask works and mask sets, and all applications and registrations of any of the foregoing, (iv) confidential and proprietary information, know-how and trade and industrial secrets (collectively, "Trade Secrets"), (v) other rights in and to intangible intellectual property, (vi) trademarks, trade names and service marks and domain names, (vii) rights of privacy and rights of publicity, (viii) divisions, continuations, renewals, reissuances and extensions of any of the foregoing (as applicable), (ix) all other common law and statutory intellectual property or industrial property rights recognized under applicable Legal Requirement, and (x) analogous rights to those set forth above, including the right to enforce and recover damages for all past and future infringements, misappropriations or violations of any of the foregoing.

"Interim Balance Sheet Date" has the meaning set forth in Section 2.4(a) of this Agreement.

"Interim Surviving Entity" has the meaning set forth in Section 1.1 of this Agreement.

"Investor Representation Statement" has the meaning ascribed to it in the Preamble.

"IP Representations" has the meaning set forth in Section 8.2(a) of this Agreement.

"IRS" shall mean the U.S. Internal Revenue Service.

"Key Employee" has the meaning ascribed to it in the Preamble.

"Key Employees Agreement" has the meaning ascribed to it in the Preamble.

"Key Employees Retention Agreement" has the meaning ascribed to it in the Preamble.

"Key Customers" has the meaning set forth in Section 2.18 of this Agreement.

"Key Partners" has the meaning set forth in Section 2.18 of this Agreement.

"Key Suppliers" has the meaning set forth in Section 2.18 of this Agreement.

"Labor Actions" has the meaning set forth in Section 2.10(d) of this Agreement.

"Lease Agreements" has the meaning set forth in Section 5.2 of this Agreement.

"Legal Proceeding" has the meaning set forth in Section 2.8 of this Agreement.

"Legal Requirement" means, with respect to any Person, any applicable law, extension order, treaty, statute, code, ordinance, decree, Order, constitution, bylaw, permit, directive, rule, regulation, ruling, certificate (including a withholding certificate) and lawful requirements enacted or promulgated by any Governmental Entity and all judicial, quasi-judicial, administrative, quasi-administrative and arbitral judgments, orders (including injunctions) decisions or awards of any Governmental Entity or any arbitrator, including general principles of common law, civil law and equity applicable to such Person or any property (immovable and real or movable and personal, tangible or intangible) of such Person, in each case as in effect at the Closing.

"Letter of Transmittal" has the meaning set forth in Section 1.8(h)(iii) of this Agreement.

"Liabilities" shall mean any and all indebtedness, liabilities and obligations, whether accrued or fixed, known or unknown, absolute or contingent, matured or unmatured or determined or determinable.

"Liens" shall mean any liens, security interests, options, rights of first refusal, claims, easements, mortgages, charges, indentures, deeds of trust, rights of way, restrictions on the use of real property, encroachments, leases to third parties, security agreements, or any other encumbrances and other restrictions or limitations on ownership or use of real or personal property or irregularities in title thereto (including any restriction on (i) the voting of any security or the transfer of any security or other asset, (ii) the receipt of any income derived from any asset, (iii) the use of any asset, and (iv) the possession, exercise or transfer of any other attribute of ownership of any asset).

"LLC Act" has the meaning ascribed to it in the Preamble.

"Lock-Up Shares" has the meaning set forth in Section 1.8(s)(ii) of this Agreement.

"Losses" shall mean losses, Liabilities, damages (including lost profits and diminution of value), actions, costs, Taxes, deficiencies, assessments, judgments, awards, claim of any kind (including threats of legal proceedings), interest, penalties, fines or expenses (including reasonable attorneys', consultants and experts' fees and expenses and all other reasonable fees or expenses paid in investigation, defense or settlement of any of the foregoing) whether arising out of claims by or on behalf of any party to this Agreement or any third party claims.

"Majority Holders" has the meaning set forth in Section 8.12(a) of this Agreement.

"Material Adverse Effect" shall mean, any event, circumstance, development, condition, state of facts, occurrence, change or effect that, individually or together with any other event, circumstance, development, condition, state of facts, occurrence, change or effect, (x) is or would reasonably be expected to, either individually or in the aggregate, to have a material adverse effect on the financial condition, properties, assets, Liabilities, business, operations or results of operations of the Company, or (y) would, either individually or in the aggregate, prevent, materially alter or materially delay the Company's ability to consummate the Merger or the other transactions contemplated hereby in accordance with the terms hereof; provided, however, that in no event shall any effect resulting directly from any of the following be deemed to constitute or be taken into account in determining whether a Material Adverse Effect has occurred (except, in each case, to the extent any such effect disproportionately affects the Business as compared to similarly situated companies or businesses): (i) any change after the Effective Time generally affecting the markets or industries in which the Business operates; (ii) any change after the Effective Time generally affecting the U.S. or international economy or financial market conditions; (iii) acts of war, sabotage, terrorism, military actions, or the escalation thereof; or (iv) any change after the Effective Time in applicable laws or accounting rules or principles generally affecting the markets or industries in which the Business operates.

"Material Contract" has the meaning set forth in Section 2.13 of this Agreement.

"Merger" has the meaning ascribed to it in the Preamble.

"Merger 1" has the meaning ascribed to it in the Preamble.

"Merger 2" has the meaning ascribed to it in the Preamble.

"Merger Sub 1" has the meaning ascribed to it in the Preamble.

"Merger Sub 2" has the meaning ascribed to it in the Preamble.

"Negative Adjustment Amount" has the meaning set forth in Section 1.8(g)(iii) of this Agreement.

"Notice of Dispute" has the meaning set forth in Section 1.8(g)(iv) of this Agreement.

"Open Source Software" shall mean all Software that is distributed under (i) any license approved by the Open Source Initiative or any similar license, (ii) any license that meets the Open Source Definition or the Free Software Definition, and (iii) to the extent not included in the foregoing (i) and (ii), any Copyleft Licenses.

"Order" shall mean any judgment, order, injunction, decree, writ, permit or license of any Governmental Entity or any arbitrator.

"Organizational Documents" has the meaning set forth in Section 2.1 of this Agreement.

"Parent" has the meaning ascribed to it in the Preamble.

"Parent Disclosure Schedule" has the meaning set forth in ARTICLE IV of this Agreement.

"Parent Indemnitees" has the meaning set forth in Section 8.3 (a) of this Agreement.

"Parent Ordinary Shares" shall mean the ordinary shares, par value NIS 0.4 each, of Parent.

"Parent SEC Documents" has the meaning set forth in Section 4.4(a) of this Agreement.

"Party" or "Parties" has the meaning ascribed to it in the Preamble.

"Paying Agent" has the meaning set forth in Section 1.8(h)(i) of this Agreement.

"Paying Agent Agreement" has the meaning set forth in Section 1.8(h)(i) of this Agreement.

"Parent U.S. Counsel" shall mean Zysman, Aharoni, Gayer and Sullivan & Worcester LLP.

"Permits" has the meaning set forth in Section 2.7 of this Agreement.

"Permitted Liens" shall mean (i) statutory liens for Taxes that are not yet due and payable or are being contested in good faith by appropriate proceedings and are disclosed, if any, in Section 2.11(b) of the Company Disclosure Schedule, (ii) statutory or common law liens to secure obligations to landlords, lessors or renters under leases or rental agreements confined to the premises rented and are disclosed, if any, in Section 2.11(b) of the Company Disclosure Schedule, (iii) deposits or pledges made in connection with, or to secure payment of, workers' compensation, unemployment insurance, old age pension or other social security programs mandated under Legal Requirements, and (iv) statutory or common law liens in favor of carriers, warehousemen, mechanics and materialmen, to secure claims for labor, materials or supplies and other like liens.

"Person" shall mean and include an individual, a partnership, a limited partnership, a limited liability partnership, a joint venture, a corporation, a limited liability company, an association, a trust, an unincorporated organization, a group and a Governmental Entity.

"Positive Adjustment Amount" has the meaning set forth in Section 1.8(g)(iii) of this Agreement.

"Post-Closing Payment" has the meaning set forth in Section 1.8(q) of this Agreement.

"Preferred Amount" has the meaning set forth in Section 1.8(d)(iii) of this Agreement.

"Preliminary Payment Spreadsheet" has the meaning set forth in Section 1.8(e)(i) of this Agreement.

"Principal Stockholders" has the meaning ascribed to it in the Preamble.

"Proportionate Indemnification Share" shall mean with respect to an Indemnifying Person, a fraction (rounded to the 5 decimal places) (i) the numerator of which is the portion of the Aggregate Merger Consideration which such Indemnifying Person is entitled to receive and (ii) the denominator of which is the sum of the portions of the Aggregate Merger Considerations which all Indemnifying Persons are entitled to receive, all based on the Final Payment Spreadsheet. Solely for the purposes of this definition, the Aggregate Merger Consideration shall be deemed to be equal to the sum of (A) (i) the Aggregate Cash Consideration and (ii) the Aggregate Share Consideration *multiplied* by $9.71.

"PTO" has the meaning set forth in Section 2.12(f) of this Agreement.

"Qualified Sales" has the meaning set forth in Section 1.8(b)(i) of this Agreement.

"Released Party" and "Parties" has the meaning set forth in Section 3.1(i) of this Agreement.

"Releasing Party" has the meaning set forth in Section 3.1(i) of this Agreement.

"Rep Expenses" has the meaning set forth in Section 8.12(b) of this Agreement.

"Rep Reimbursement Amount" has the meaning set forth in Section 1.8(a)(v) of this Agreement.

"Representatives" of any Person shall mean such Person's directors, managers, officers, employees, agents, attorneys, consultants, advisors or other Persons acting on behalf of such Person.

"Required Votes" has the meaning set forth in Section 2.2(c) of this Agreement.

"Return" has the meaning set forth in Section 2.11(a) of this Agreement.

"Revised NWC Certificate" has the meaning set forth in Section 1.8(g)(ii) of this Agreement.

"Rule 502" has the meaning set forth in Section 5.6 of this Agreement.

"SEC" means the United States Securities and Exchange Commission.

"SEC Compliant Financial Statements" has the meaning set forth in Section 5.12 of this Agreement.

"Securities Act" has the meaning ascribed to it in the Preamble.

"Second Effective Time" has the meaning set forth in Section 1.3.

"Series AA Amount" has the meaning set forth in Section 1.8(d)(i) of this Agreement.

"Series AA Cash Amount" has the meaning set forth in Section 1.8(d)(i) of this Agreement.

"Series AA Share Amount" has the meaning set forth in Section 1.8(d)(i) of this Agreement.

"Series AA-1 Amount" has the meaning set forth in Section 1.8(d)(ii) of this Agreement.

"Series AA-1 Cash Amount" has the meaning set forth in Section 1.8(d)(ii) of this Agreement.

"Series AA-1 Share Amount" has the meaning set forth in Section 1.8(d)(ii) of this Agreement.

"Series AA-2 Amount" has the meaning set forth in Section 1.8(d)(iii) of this Agreement.

"Series AA-2 Cash Amount" has the meaning set forth in Section 1.8(d)(iii) of this Agreement.

"Series AA-2 Share Amount" has the meaning set forth in Section 1.8(d)(iii) of this Agreement.

"Service Providers" has the meaning set forth in Section 2.9(j) of this Agreement.

"Share Amount" has the meaning set forth in Section 1.8(d)(iv) of this Agreement.

"Share Percentage" has the meaning set forth in Section 1.8(c)(iv) of this Agreement.

"Shrink-Wrapped Code" means generally commercially available software code (other than development tools and development environments) where available for a cost of not more than $2,500 for a perpetual license for a single user or work station (or $10,000 in the aggregate for all users and work stations on an annual basis).

"Software" means computer software, firmware, programs and databases in any form, including Source Code, executable code, tools, developer kits, utilities, graphical user interfaces, and forms, and all versions, updates, corrections, enhancements and modifications thereof, and all related documentation, related thereto.

"Software License Agreement" shall mean the standard software license agreement used by the Company for licensing the Company Products.

"Specified Claims" has the meaning set forth in Section 8.4(a) of this Agreement.

"Specified Representations" shall mean those representations and warranties made (i) by the Company in Sections 2.1 (*Organization and Standing; Subsidiaries*); 2.2 (*Authority; No Conflicts*); 2.3 (*Capitalization*),and 2.23 (*Broker's or Finder's Fees; Transaction Expenses*); (ii) by the Company Stockholders in Article III and the Stockholder Support Agreements; (iii) by the Company the information set forth in the Company Net Working Capital Certificate and the Final Payment Spreadsheet, including such information relating to any Working Capital Excess or Working Capital Shortfall .

"Stockholder Indemnitees" has the meaning set forth in Section 8.3(b) of this Agreement.

"Stockholders Agreement" has the meaning set forth in Section 3.1(ii) of this Agreement.

"Stockholder Support Agreement" has the meaning ascribed to it in the Preamble.

"Stockholders Written Consent" has the meaning ascribed to it in the Preamble.

"Subsidiary", with respect to any Person, shall mean (a) any corporation more than fifty percent (50%) of the stock of any class or classes of which having by the terms thereof ordinary voting power to elect a majority of the directors of such corporation (irrespective of whether or not at the time stock of any class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is owned by such Person directly or indirectly through one or more subsidiaries of such Person and (b) any partnership, association, limited liability company or other entity in which such Person directly or indirectly through one or more subsidiaries of such Person has more than a fifty percent (50%) equity interest.

"Survival Period" has the meaning set forth in Section 8.2(a) of this Agreement.

"Surviving Entity" has the meaning set forth in Section 1.1 of this Agreement.

"Tax" or "Taxes" shall mean all taxes, assessments, charges, duties, fees, levies or other governmental charges including all U.S. federal, state, local, foreign and other income, franchise, profits, gross receipts, capital gains, capital stock, transfer, sales, use, value added, occupation, property, excise, severance, windfall profits, stamp, license, payroll, social security, withholding and other taxes, assessments, charges, duties, fees, levies or other governmental charges of any kind whatsoever (whether payable directly or by withholding and whether or not requiring the filing of a Return), all estimated taxes, deficiency assessments, additions to tax, penalties and interest and linkage and shall include any liability for such amounts as a result of (a) being a transferee or successor or member of a combined, consolidated, unitary or affiliated group, or (b) a contractual obligation to indemnify any Person.

"Tax Claim" has the meaning set forth in Section 8.3(e) of this Agreement.

"Tax Representations" has the meaning set forth in Section 8.2(a) of this Agreement.

"Technology" means tangible embodiments of Intellectual Property Rights, whether in electronic, written or other form, including technical documentation, specifications, information, process flows, process recipes, test cases, schematics, prototypes, schematics, breadboards, netlists, test methodologies, verilog files, emulation and simulation reports, test vectors and development tools, designs (including any design databases, mask layers, reticles, test vectors, industrial designs and reference designs), integrated circuit topographies, synthesizable RTL, LEF, DEF, GDSII or similar formats used to design products , semiconductor devices, device structures (including gate structures, transistor structures, memory cells or circuitry, vias and interconnects, isolation structures and protection devices), circuit block libraries, formulae, algorithms (and implementations thereof), application programming interfaces, user interfaces, test reports, bills of materials, build instructions, research and development procedures and results, technical data, lab notebooks, studies, programs, routines, subroutines, formulae, recordings, graphs, drawings, reports, analyses and other writings or materials.

"Third Party Claim" has the meaning set forth in Section 8.6(a) of this Agreement.

"Third Party Claim Notice" has the meaning set forth in Section 8.6(a) of this Agreement.

"Transfer" has the meaning set forth in Section 1.8(s)(ii) of this Agreement.

"Treasury Regulations" shall mean the Treasury Regulations promulgated pursuant to the Code, as amended from time to time, including the corresponding provisions of any successor regulations.

"U.S." shall mean the United States of America.

"WARN" has the meaning set forth in Section 2.10(e) of this Agreement.

"Working Capital Excess" has the meaning set forth in Section 1.8(g) of this Agreement.

"Working Capital Shortfall" has the meaning set forth in Section 1.8(g) of this Agreement.

"Working Capital Target" has the meaning set forth in Section 1.8(g) of this Agreement.

Section 9.2 Construction. In this Agreement, unless the context otherwise requires:

(a) references to "writing" or comparable expressions include a reference to facsimile transmission or comparable means of communication (including electronic mail, provided the sender complies with the provisions of Section 9.7 hereof);

(b) the phrases "delivered" or "made available" shall mean that the information referred to has been physically or electronically delivered to the relevant parties (including, in the case of "made available" to Parent, material that has been posted and thereby made available to Parent through the on line "virtual data room" established by the Company if such material was made available at least two Business Days prior to the date hereof);

(c) words expressed in the singular number shall include the plural and vice versa; words expressed in the masculine shall include the feminine and neuter gender and vice versa;

(d) references to Articles, Sections, Annexes, Sections of the Company Disclosure Schedule, the Parent Disclosure Schedule, the Preamble and Recitals are references to articles, sections, annexes, disclosure schedules, the preamble and recitals of this Agreement, and the descriptive headings of the several Articles and Sections of this Agreement, the Company Disclosure Schedule and the Parent Disclosure Schedule (as applicable) are inserted for convenience only, do not constitute a part of this Agreement and shall not affect in any way the meaning or interpretation of this Agreement;

(e) references to "day" or "days" are to calendar days (subject to the definition of the term "Business Day");

(f) the words "hereof", "herein", "hereto" and "hereunder", and words of similar import, shall refer to this Agreement as a whole and not to any provision of this Agreement;

(g) this "Agreement" or any other agreement or document shall be construed as a reference to this Agreement or, as the case may be, such other agreement or document as the same may have been, or may from time to time be, amended, varied, novated or supplemented;

(h) "include", "includes", and "including" are deemed to be followed by "without limitation" whether or not they are in fact followed by such words or words of similar import; and

(i) references to "Dollars", "dollars" or "$", without more are to the lawful currency of the U.S.

Section 9.3 Annexes, Exhibits and the Disclosure Schedules. The Annexes, Exhibits, the Company Disclosure Schedule and the Parent Disclosure Schedule are incorporated into and form an integral part of this Agreement.

Section 9.4 Knowledge. When any representation, warranty, covenant or agreement contained in this Agreement or an Ancillary Agreement is expressly qualified by reference to the "Knowledge" of a Person or words of similar import, it shall mean the knowledge of such Person after reasonable inquiry (and, with respect to the Company, the knowledge of the persons listed in Section 9.4 of the Company Disclosure Schedule of such matter after reasonable inquiry).

Section 9.5 Fees and Expenses. Except as specifically set forth herein, all costs and expenses incurred in connection with this Agreement and the consummation of the transactions contemplated hereby shall be paid by the party incurring such costs and expenses (it being understood that all Company Transaction Expenses will either be paid by the Company prior to Closing or be deducted from the Closing Cash Consideration).

Section 9.6 Extension; Waiver. Subject to the express limitations herein, at any time prior to the Closing, the parties hereto, may (a) extend the time for the performance of any of the obligations or other acts of the other party hereto, (b) waive any inaccuracies in the representations and warranties contained herein by the other party or in any document, certificate or writing delivered pursuant hereto by such other party or (c) waive compliance with any of the agreements or conditions contained herein. Any agreement on the part of any party to any such extension or waiver shall be valid only if set forth in an instrument in writing signed by or on behalf of such party. No failure or delay on the part of any party hereto in the exercise of any right hereunder shall impair such right or be construed as a waiver of, or acquiescence in, any breach of any representation, warranty, covenant or agreement herein, nor shall any single or partial exercise of any such right preclude other or further exercise thereof or of any other right.

Section 9.7 Notices. Except as otherwise provided herein, all notices, requests, claims, demands, waivers and other communications hereunder shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopier, facsimile or email transmission (in the case of telecopier, facsimile or email transmission, with copies by overnight courier service or registered mail) to the respective parties as follows (or, in each case, as otherwise notified by any of the parties hereto) and shall be effective and deemed to have been given (i) immediately when sent by telecopier, facsimile or email between 9:00 A.M. and 6:00 P.M. (Israel time) on any Business Day (and when sent outside of such hours, at 9:00 A.M. (Israel time) on the next Business Day), and (ii) when received if delivered by hand or overnight courier service or certified or registered mail on any Business Day:

(a) If to the Company prior to the Effective Time, to:

Appfluent Technology, Inc.
6001 Montrose Road, 10th Floor
Rockville, Maryland 20852
Attention: Frank Gelbart, CEO
Fax: (240) 238-9126
Email: fgelbart@appfluent.com

with a copy (which shall not constitute notice or service of process) to:

Cooley LLP
One Freedom Square
Reston Town Center
11951 Freedom Drive
Reston, Virginia 20190-5656
Attention: Mike Lincoln, Esq.
Fax: +1-703-456-8100
Email: mlincoln@cooley.com

(b) if to Parent, Buyer, Merger Sub 1, Merger Sub 2 or, after the Effective Time, to the Company, to:

Attunity Ltd.
16 Atir Yeda Street
Atir Yeda Industrial Park
Kfar Saba, 4464321, Israel
Attention: Dror Harel-Elkayam , CFO
Fax: +972-9-899-3001
Email: dror.elkayam@attunity.com;

with a copy (which shall not constitute notice or service of process) to:

Goldfarb Seligman & Co.
98 Yigal Alon Street, Electra Tower
Tel Aviv 6789141, Israel
Attention: Ido Zemach, Adv.
Fax: +972-3-608-9909
Email: ido.zemach@goldfarb.com

Zysman, Aharoni, Gayer and Sullivan & Worcester LLP
1633 Broadway
New York, NY 10019
Attention: Oded Har-Even, Esq.
Fax: (212) 660-3001
Email: ohareven@zag-sw.com

(c) if to Stockholders' Representative or the Company Stockholders, to:

Frank Gelbart
Appfluent Technology, Inc.
6001 Montrose Road, 10th Floor
Rockville, Maryland 20852
Attention: Frank Gelbart, CEO
Fax: (240) 238-9126
Email: fgelbart@appfluent.com

with a copy (which shall not constitute notice or service of process) to:

Cooley LLP
One Freedom Square
Reston Town Center
11951 Freedom Drive
Reston, Virginia 20190-5656
Attention: Mike Lincoln, Esq.
Fax: +1-703-456-8100
Email: mlincoln@cooley.com

Notices sent by multiple means, each of which is in compliance with the provisions of this Agreement will be deemed to have been received at the earliest time provided for by this Agreement.

Section 9.8 Entire Agreement. This Agreement, together with the Exhibits hereto and the Company Disclosure Schedule and Parent Disclosure Schedule, contains the entire understanding of the parties hereto with respect to the subject matter contained herein and supersedes all prior agreements and understandings, oral and written, with respect thereto, including any letter of intent, term sheet or the like.

Section 9.9 Binding Effect; Benefit; Assignment. This Agreement shall inure to the benefit of and be binding upon the parties hereto. Except as set forth herein, no other Person not party to this Agreement shall be entitled to the benefits of this Agreement. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties hereto without the prior written consent of the other party; provided, that Buyer may assign its rights, interests and obligations hereunder to any of its Affiliates. Any attempted assignment in violation of this Section 9.9 will be void.

Section 9.10 Amendment and Modification. Subject to applicable Legal Requirements, the parties hereto may cause this Agreement to be amended at any time by execution of an instrument in writing signed on behalf of each of Parent, Buyer, the Company and the Stockholders' Representative; *provided*, *however*, that the consent of the Stockholders' Representative shall not be required in connection with any amendment to this Agreement prior to the Closing that does not affect the rights or obligations of the Stockholders' Representative and/or any Company Stockholders and that, without derogating in any respect from the Stockholders' Representative powers and authorities hereunder, after approval of the Merger by the Company Stockholders, no amendment shall be made that requires the approval of such Company Stockholders under Legal Requirement without such approval.

Section 9.11 Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, and all of which together shall be deemed to be one and the same instrument. Facsimile signatures or signatures exchanged via electronic transmission in pdf format or other comparable format shall be accepted the same as an original signature. A photocopy of this Agreement may be used in any action brought to enforce or construe this Agreement.

Section 9.12 Applicable Law; Jurisdiction. THIS AGREEMENT AND THE LEGAL RELATIONS BETWEEN THE PARTIES HERETO SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE, WITHOUT REGARD TO THE CONFLICT OF LAWS RULES THEREOF. THE STATE OR FEDERAL COURTS LOCATED WITHIN DELAWARE SHALL HAVE EXCLUSIVE JURISDICTION OVER ANY AND ALL DISPUTES BETWEEN THE PARTIES HERETO, WHETHER IN LAW OR EQUITY, ARISING OUT OF OR RELATING TO THIS AGREEMENT AND THE AGREEMENTS, INSTRUMENTS AND DOCUMENTS CONTEMPLATED HEREBY AND THE PARTIES CONSENT TO AND AGREE TO SUBMIT TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS. EACH OF THE PARTIES HEREBY WAIVES AND AGREES NOT TO ASSERT IN ANY SUCH DISPUTE, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY CLAIM THAT (A) SUCH PARTY IS NOT PERSONALLY SUBJECT TO THE JURISDICTION OF SUCH COURTS, (B) SUCH PARTY AND SUCH PARTY'S PROPERTY IS IMMUNE FROM ANY LEGAL PROCESS ISSUED BY SUCH COURTS OR (C) ANY LITIGATION OR OTHER PROCEEDING COMMENCED IN SUCH COURTS IS BROUGHT IN AN INCONVENIENT FORUM. EACH PARTY TO THIS AGREEMENT IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 9.7 ABOVE. NOTHING IN THIS AGREEMENT SHALL AFFECT THE RIGHT OF ANY PARTY TO THIS AGREEMENT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

Section 9.13 Severability. If any term, provision, covenant or restriction contained in this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void, unenforceable or against its regulatory policy, the remainder of the terms, provisions, covenants and restrictions contained in this Agreement shall remain in valid and binding and shall in no way be affected, impaired or invalidated, and this Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable term, provision, covenant or restriction or any portion thereof had never been contained herein.

Section 9.14 Specific Enforcement; Limitation on Damages. The parties agree that irreparable damage could occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached or threatened to be breached and that an award of money damages might be inadequate in such event. Accordingly, it is acknowledged that the parties shall be entitled to seek equitable relief, without proof of actual damages, including an Order for specific performance to prevent breaches of this Agreement and to seek to enforce specifically the terms and provisions of this Agreement, in addition to any other remedy to which they are entitled at law or in equity as a remedy for any such breach or threatened breach. Each party further agrees that neither the other party nor any other Person shall be required to obtain, furnish or post any bond or similar instrument in connection with or as a condition to obtaining any remedy referred to in this Section 9.14, and each party hereto irrevocably waives any right it may have to require the obtaining, furnishing or posting of any such bond or similar instrument. Each party further agrees that the only permitted objection that it may raise in response to any action for equitable relief is that it contests the existence of a breach or threatened breach of this Agreement.

Section 9.15 Waiver of Jury Trial. EACH OF THE PARTIES TO THIS AGREEMENT HEREBY IRREVOCABLY WAIVES, AND SHALL CAUSE ITS SUBSIDIARIES, IF ANY, AND AFFILIATES TO WAIVE, ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 9.16 Rules of Construction. The parties hereto agree that they have been represented by counsel during the negotiation and execution of this Agreement and have participated jointly in the drafting of this Agreement and, therefore, waive the application of any Law, holding or rule of construction providing that ambiguities in an agreement or other document will be construed against the party drafting such agreement or document.

Section 9.17 Further Assurances. After the Closing, 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 for the purpose of carrying out or evidencing any of the transactions contemplated by this Agreement.

Section 9.18 Headings. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the Parties have caused this Agreement and Plan of Merger to be duly executed by their respective officers thereunto duly authorized, all as of the date first above written.

APPFLUENT TECHNOLOGY, INC.

By: /s/ Frank Gelbart
Name: Frank Gelbart
Title: CEO

ATTUNITY LTD.

By: /s/ Shimon Alon /s/ Dror Harel-Elkayam
Name: Shimon Alon Dror Harel-Elkayam
Title: CEO CFO

ATTUNITY INC.

By: /s/ Shimon Alon /s/ Dror Harel-Elkayam
Name: Shimon Alon Dror Harel-Elkayam
Title: CEO CFO

ATLAS ACQUISITION SUB 1, LLC

By: /s/ Shimon Alon /s/ Dror Harel-Elkayam
Name: Shimon Alon Dror Harel-Elkayam
Title: CEO CFO

ATLAS ACQUISITION SUB 2, LLC

By: /s/ Shimon Alon /s/ Dror Harel-Elkayam
Name: Shimon Alon Dror Harel-Elkayam
Title: CEO CFO

Frank Gelbart
(AS STOCKHOLDERS' REPRESENTATIVE)
/s/ Frank Gelbart
Frank Gelbart

Exhibit A
Form of Stockholders Written Consent

Exhibit B
Form of Stockholder Support Agreement

Exhibit C
Form of Investor Representation Statement

Exhibit D-1
Preliminary Payment Spreadsheet

Exhibit D-2
Final Payment Spreadsheet

Exhibit E
Form of Escrow Agent Agreement

Exhibit F
Form of Letter of Transmittal

Exhibit H
Form of Employment Offer

Exhibit I
Form of Closing Certificate

Exhibit J
Form of Non-Competition, Non-Solicitation, Proprietary
and Confidential Information and Developments Agreement

Exhibit 4.12

REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT (this "***Agreement***") is entered into as of March 18, 2015, by and among **ATTUNITY LTD.**, an Israeli company (the "***Company***"), the persons and entities listed on ***Exhibit A*** hereto (as may be amended from time to time pursuant to Section 3.7 hereof, the "***Sellers***"), and Frank Gelbart, as the Stockholders' Representative (the "***Stockholders' Representative***").

RECITALS

WHEREAS, the Company, the Stockholders' Representative and certain other parties, are parties to an Agreement and Plan of Merger, dated as of March 5, 2015 (the "***Merger Agreement***"); and

WHEREAS, as contemplated by the Merger Agreement, the Sellers have been or will be issued with a number of Company Ordinary Shares ("***Merger Shares***") equal to their portion of (i) the Closing Share Consideration, (ii) the Holdback Share Consideration (if and to the extent issued and released), and (iii) the Parent Ordinary Shares portion of the Earn-Out Payment Amount, if any (the "***Earnout Shares***"), all in accordance with Merger Agreement and as set forth in the Final Payment Spreadsheet;

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

SECTION 1. GENERAL.

1.1 Definitions. All capitalized terms not otherwise defined in this Agreement shall have the meanings assigned thereto in the Merger Agreement. As used in this Agreement the following terms shall have the following respective meanings:

(a) "***Accredited Holder***" means a Holder who is a Company Accredited Investor and who will be issued, at the Closing, at least 5,000 Company Ordinary Shares.

(b) ***"Company Ordinary Shares"*** means Ordinary Shares, par value NIS 0.4 each, of the Company.

(c) ***"Damages"*** means any loss, damage, or liability (joint or several) to which a party hereto may become subject under the Securities Act, the Exchange Act, or other federal or state law, insofar as such loss, damage, or liability (or any action in respect thereof) arises out of or is based upon (i) any untrue statement or alleged untrue statement of a material fact contained in any registration statement of the Company, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto; (ii) an omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading; or (iii) any violation or alleged violation by the indemnifying party (or any of its agents or Affiliates) of the Securities Act, the Exchange Act, any state securities law, or any rule or regulation promulgated under the Securities Act, the Exchange Act, or any state securities law.

(d) ***"Exchange Act"*** means the Securities Exchange Act of 1934, as amended and the rules and regulations promulgated thereunder.

(e) ***"Form F-3"*** means such form under the Securities Act as in effect on the date hereof or any successor or similar registration form under the Securities Act subsequently adopted by the SEC which permits inclusion or incorporation of substantial information by reference to other documents filed by the Company with the SEC.

(f) ***"Holder"*** means any Person owning of record Registrable Securities who is a party to this Agreement.

(g) ***"Person"*** means any individual, corporation, company, partnership, trust, governmental or quasi-governmental entity or other entity.

(h) ***"Registration"*** refer to a registration effected by preparing and filing a registration statement in compliance with the Securities Act, and the declaration or ordering of effectiveness of such registration statement or document.

(i) ***"Registrable Securities"*** means all the Merger Shares issued or issuable to the Sellers pursuant to the Merger Agreement (and any securities that may be issued or distributed in respect thereof by way of stock dividend, stock split or other similar distribution, recapitalization or reclassification); excluding, however, any securities (i) sold by a person to the public either pursuant to a registration statement or Rule 144, (ii) transferred in a transaction in which registration rights under this Agreement are not assignable, or (iii) held by a Seller (together with its affiliates) if all Registrable Securities held by and issuable to such Seller (and its affiliates) may be sold pursuant to Rule 144 during any ninety (90) day period (it being agreed that, solely for such purpose, each Holder shall not be deemed an affiliate of the Company).

(j) ***"Registrable Securities then outstanding"*** shall be the number of shares of the Company Ordinary Shares that are Registrable Securities and either (a) are then issued and outstanding or (b) are issuable pursuant to then exercisable or convertible securities.

(k) ***"Registration Expenses"*** shall mean all expenses (exclusive of underwriting discounts and commissions) incurred by the Company in complying with Sections 2.1 and 2.2 hereof, including, without limitation, all registration and filing fees, printing expenses, fees and disbursements of counsel for the Company, blue sky fees and expenses and the expense of any special audits incident to or required by any such registration (but excluding the compensation of regular employees of the Company which shall be paid in any event by the Company).

(l) ***"SEC"*** or ***"Commission"*** means the Securities and Exchange Commission.

(m) ***"Securities Act"*** shall mean the Securities Act of 1933, as amended and the rules and regulations promulgated thereunder.

(n) ***"Selling Expenses"*** shall mean all underwriting discounts and selling commissions applicable to the sale of the Registrable Securities.

(o) ***"Special Registration Statement"*** shall mean (i) a registration statement relating to any employee benefit plan or (ii) with respect to any corporate reorganization or transaction under Rule 145 of the Securities Act, any registration statements related to the issuance or resale of securities issued in such a transaction (iii) a registration related to stock issued upon conversion of debt securities.

SECTION 2. REGISTRATION.

2.1 Piggyback Registrations. If, within six (6) months following the Closing (but without any obligation to do so), the Company proposes to register any of its securities on a Form F-3 for purposes of a public offering of securities of the Company for its own account or as part of a secondary offering of securities of the Company, but excluding Special Registration Statements, the Company shall notify all Accredited Holders of Registrable Securities in writing at least ten (10) days prior to the filing of such Form F-3 and shall use its commercially reasonable efforts to include in such registration statement all or part of such Registrable Securities held by each Accredited Holder who requests its Registrable Securities to be included in such registration statement. Each Accredited Holder desiring to include in any such registration statement all or any part of the Registrable Securities held by it shall, within ten (10) days after delivery of the above-described notice from the Company, so notify the Company in writing. Such notice shall state the intended method of disposition of the Registrable Securities by such Accredited Holder.

(a) Underwriting. If the registration statement of which the Company gives notice under this Section 2.1 is for an underwritten offering, the Company shall so advise the Accredited Holders of Registrable Securities. In such event, the right of any such Accredited Holder to include Registrable Securities in a registration pursuant to this Section 2.1 shall be conditioned upon such Accredited Holder's participation in such underwriting and the inclusion of such Accredited Holder's Registrable Securities in the underwriting to the extent provided herein. All Accredited Holders proposing to distribute their Registrable Securities through such underwriting shall, as a condition to their right to include such securities in the offering, enter into an underwriting agreement in customary form (including any related lock-up provisions included therein) with the underwriter or underwriters selected for such underwriting by the Company. Notwithstanding any other provision of this Agreement, if the underwriter determines that marketing factors require a limitation of the number of shares to be underwritten, the number of shares that may be included in the underwriting shall be allocated, first, to the Company; second, to any other Person (other than an Accredited Holder of Registrable Securities) exercising a contractual right existing as of the date hereof to demand and include its securities in such registration; third, to the Accredited Holders on a pro rata basis between the Accredited Holders who requested to include their Registrable Securities in such registration (based on the number of Registrable Securities then held by such Accredited Holders and provided that any securities thereby allocated to an Accredited Holder that exceed such Accredited Holder's request shall be reallocated among the remaining requesting Accredited Holders in like manner); and fourth, to any other stockholder of the Company (other than an Accredited Holder) that is entitled to include its Company Ordinary Shares in such registration. If any Accredited Holder disapproves of the terms of any such underwriting, such Holder may elect, if he or it has not theretofore executed the underwriting agreement, to withdraw therefrom by written notice to the Company and the underwriter, delivered within no more than three (3) business days after the Holder learned of such terms and in any event at least ten (10) business days prior to the effective date of the registration statement. Any Registrable Securities excluded or withdrawn from such underwriting shall be excluded and withdrawn from the registration.

(b) Right to Terminate Registration. The Company shall have the right to terminate or withdraw any registration initiated by it under this Section 2.1 at any time and whether or not any Accredited Holder has elected to include securities in such registration, and shall promptly notify any Accredited Holder that has elected to include shares in such registration of such termination or withdrawal. The Registration Expenses of such withdrawn registration shall be borne by the Company in accordance with Section 2.3 hereof.

(c) For the sake of clarity, only Registrable Securities held (as opposed to issuable) by the Accredited Investors immediately prior to the day of the filing of the Form F-3 shall be included in such F-3 pursuant to this Section 2.1.

2.2 Form F-3 Registration. In case that following the Closing, and in no event earlier than the time that the SEC Compliant Financial Statements have been obtained in accordance with the Merger Agreement, the Company shall receive from any Holder or Holders of Registrable Securities of at least 30% of the Registrable Securities then outstanding (the "***F-3 Initiating Holders***") a written request or requests that the Company effect a registration on Form F-3 (or any successor to Form F-3) or any similar short-form registration statement and any related qualification or compliance with respect to all or a part of the Registrable Securities owned by such Holder or Holders, the Company shall:

(a) promptly give written notice of the proposed registration, and any related qualification or compliance, to all other Holders of Registrable Securities; and

(b) use all commercially reasonable efforts to effect, as promptly as reasonably practicable, such registration and all such qualifications and compliances as may be so reasonably requested and as would permit or facilitate the sale and distribution of all or such portion of such Holder's or Holders' Registrable Securities as are specified in such request, together with all or such portion of the Registrable Securities of any other Holder or Holders joining in such request as are specified in a written request delivered to the Company within fifteen (15) days after receipt of such written notice from the Company, except that the Company shall not be required to effect a registration pursuant to this Section 2.2 in the following events:

(i) if Form F-3 is not available for such offering by the Holders;

(ii) if the Holders, together with the holders of any other securities of the Company entitled to inclusion in such registration, propose to sell Registrable Securities and such other securities (if any) at an aggregate price to the public of less than two million dollars ($2,000,000); or

(iii) if within twenty (20) days of receipt of a written request from any Holder or Holders pursuant to this Section 2.2, the Company gives notice to such Holder or Holders of the Company's intention to make a public offering within ninety (90) days, other than pursuant to a Special Registration Statement; or

(iv) if the Company shall furnish to the Holders a certificate, signed by the Company's chief executive officer or chief financial officer, stating that in the good faith judgment of the Board of Directors of the Company, it would be materially detrimental to the Company and its shareholders for such Form F-3 registration to either become effective or remain effective for as long as such registration statement otherwise would be required to remain effective, because such action would (i) materially interfere with a significant acquisition, corporate reorganization, or other similar transaction involving the Company; (ii) require premature disclosure of material information that the Company has a bona fide business purpose for preserving as confidential; or (iii) render the Company unable to comply with requirements under the Securities Act or Exchange Act, then the Company shall have the right to defer taking action with respect to such filing, and any time periods with respect to filing or effectiveness thereof shall be tolled correspondingly, for a period of not more than seventy five (75) days after the request of the F-3 Initiating Holders is given (the "***Blackout Period***"); provided, however, that the Company may not invoke this right more than once in any twelve (12) month period; and provided further that the Company shall not register any securities for its own account or that of any other stockholder during such ninety (90) day period; and provided further that upon notice by the Company to the F-3 Initiating Holders of any such determination, each F-3 Initiating Holder shall keep the fact of any such notice strictly confidential and, during any Blackout Period, promptly halt any offer, sale, trading or transfer by it of any Registrable Securities pursuant to the Form F-3 for the duration of the Blackout Period set forth in such notice (or until such Blackout Period shall be earlier terminated in writing by the Company) and promptly halt any use, publication, dissemination or distribution of any prospectus or prospectus supplement covering any Registrable Securities for the duration of the Blackout Period and, if so directed by the Company, shall deliver to the Company any copies then in its possession of any such prospectus or prospectus supplement; or

(v) if the Company has already effected, within the twelve (12) month period preceding the date of such request, one registration for the Holders pursuant to this Section 2.2;

(vi) if the Company has already effected two registrations on Form F-3 for the Holders pursuant to this Section 2.2; or

(vii) in any particular jurisdiction in which the Company would be required to qualify to do business or to execute a general consent to service of process in effecting such registration, qualification or compliance, unless the Company is already subject to service in such jurisdiction.

(c) Subject to the foregoing, the Company shall file a Form F-3 registration statement covering the Registrable Securities and other securities so requested to be registered as soon as practicable after receipt of the requests of the Holders. Registrations effected pursuant to this Section 2.1 shall not be counted as demands for registration or registrations effected pursuant to Section 2.2.

(d) For purposes of Section 2.2, a registration shall not be counted as "effected" if, as a result of the application of the provisions in Section 2.2(e), fewer than 51% of the total number of Registrable Securities that Holders have requested to be included in such registration statement are actually included.

(e) Notwithstanding anything in this Agreement to the contrary, if the SEC limits the number of Registrable Securities that may be included in any Form F-3 registration statement due to limitations on the use of Rule 415 of the Securities Act, then the Company shall so advise all Holders of Registrable Securities which were proposed to be registered in such registration statement, and the number of shares that may be included in such registration statement shall be allocated to the Holders of such Registrable Securities so requesting to be registered on a pro rata basis, based on the number of Registrable Securities then held by all such Holders.

(f) Notwithstanding anything in this Agreement to the contrary, if at the time that the Form F-3 is filed under this Section 2.2, either the Holdback Share Consideration or the Earnout Shares have not yet been issued to the Holder, the Holder may still include, subject to applicable Legal Requirements, (i) the full maximum amount of the Holdback Share Consideration to which the Holder may be entitled pursuant to the Merger Agreement and in accordance with the Final Payment Spreadsheet and (ii) up to 10% of the maximum amount of the Earnout Shares to which it may be entitled pursuant to the Merger Agreement and in accordance with the Final Payment Spreadsheet; it being agreed that, for such purpose, the maximum Earnout Shares issuable to such Seller shall be computed based on the Average Price immediately preceding the Closing.

2.3 Expenses of Registration. Except as specifically provided herein, all Registration Expenses and reasonable fees and disbursements not to exceed fifty thousand dollars ($50,000) of a single special counsel for the Holders incurred in connection with each registration, qualification or compliance pursuant to Section 2.1 or 2.2 herein shall be borne by the Company. All Selling Expenses incurred in connection with any registrations hereunder, shall be borne by the holders of the securities so registered *pro rata* on the basis of the number of shares so registered. The Company shall not, however, be required to pay for expenses of any registration proceeding begun pursuant to Section 2.2, the request of which has been subsequently withdrawn at the request of the Holders of a majority of the Registrable Securities to be registered, as the case may be, unless the withdrawal is based upon material adverse information concerning the Company of which the F-3 Initiating Holders were not aware at the time of such request and the withdrawal of such request is made with reasonable promptness upon learning of such material adverse information. If the Holders are required to pay the Registration Expenses, such expenses shall be borne by the holders of securities (including Registrable Securities) requesting such registration in proportion to the number of shares for which registration was requested. If the Company is required to pay the Registration Expenses of a withdrawn offering pursuant to this Section 2.3, then such registration shall not be deemed to have been effected for purposes of determining whether the Company shall be obligated pursuant to Section 2.2(b) to undertake any subsequent registration.

2.4 Obligations of the Company. Whenever required to effect the registration of any Registrable Securities, the Company shall, as promptly as reasonably possible (subject to the other conditions and limitations set forth hereunder):

(a) prepare and file with the SEC a registration statement with respect to such Registrable Securities and use all commercially reasonable efforts to cause such registration statement to become effective, and, upon the request of the Holders of a majority of the Registrable Securities registered thereunder, keep such registration statement effective for at least one hundred eighty (180) days or, if earlier, until the Holder or Holders have completed the distribution related thereto. Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement for the period set forth in subsection (a) above.

(b) Furnish to the Holders such number of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned by them.

(c) Use its commercially reasonable efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Holders; *provided* that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions, unless the Company is already subject to service in such jurisdiction.

(d) In the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing underwriter(s) of such offering.

(e) Notify each Holder of Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Securities Act of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing. The Company will amend or supplement such prospectus in order to cause such prospectus not to include any 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 not misleading in the light of the circumstances then existing.

(f) Use its commercially reasonable efforts to furnish, on the date that such Registrable Securities are delivered to the underwriters for sale, if such securities are being sold through underwriters, (i) an opinion, dated as of such date, of the counsel representing the Company for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten public offering, addressed to the underwriters, if any, and (ii) a letter, dated as of such date, from the independent certified public accountants of the Company, in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering addressed to the underwriters.

(g) Use its commercially reasonable efforts to cause all such Registrable Securities covered by such registration statement to be listed on a national securities exchange or trading system and each securities exchange and trading system (if any) on which similar securities issued by the Company are then listed.

(h) Provide a transfer agent and registrar for all Registrable Securities registered pursuant to this Agreement and provide a CUSIP number for all such Registrable Securities, in each case not later than the effective date of such registration.

(i) Promptly make available for inspection by the selling Holders, any managing underwriter(s) participating in any disposition pursuant to such registration statement, and any attorney or accountant or other agent retained by any such underwriter or selected by the selling Holders, all financial and other records, pertinent corporate documents, and properties of the Company that are, and cause the Company's officers, directors, employees, and independent accountants to supply all information that is, reasonably requested by any such seller, underwriter, attorney, accountant, or agent, in each case, (A) as reasonably necessary or advisable to verify the accuracy of the information in such registration statement and to conduct appropriate due diligence in connection therewith, and (B) subject to such parties entering into customary confidentiality agreement(s) with the Company.

2.5 Delay of Registration; Furnishing Information.

(a) No Holder shall have any right to obtain or seek an injunction restraining or otherwise delaying, or an order causing the filing of, any such registration as the result of any controversy that might arise with respect to the interpretation or implementation of this Section 2.

(b) It shall be a condition precedent to the obligations of the Company to take any action pursuant to Section 2.1 or 2.2 that the selling Holders shall furnish to the Company such information regarding themselves, the Registrable Securities held by them and the intended method of disposition of such securities as is reasonably required by the Company or its Representatives to effect the registration of their Registrable Securities.

(c) The Company shall have no obligation with respect to any registration requested pursuant to Section 2.2 if the number of shares or the anticipated aggregate offering price of the Registrable Securities to be included in the registration does not equal or exceed the number of shares or the anticipated aggregate offering price required to originally trigger the Company's obligation to initiate such registration as specified in Section 2.2.

2.6 Indemnification. In the event any Registrable Securities are included in a registration statement under Sections 2.1 or 2.2:

(a) To the extent permitted by law, the Company will indemnify and hold harmless each Holder, the partners, members, officers and directors of each Holder, legal counsel and accountant for each Holder, any underwriter (as defined in the Securities Act) for such Holder and each Person, if any, who controls such Holder or underwriter within the meaning of the Securities Act or the Exchange Act, against any Damages and the Company will promptly reimburse each such Holder, partner, member, officer, director, underwriter or controlling Person for any legal or other expenses reasonably incurred by them in connection with investigating, or defending any claim or proceeding from which Damages may result; *provided however*, that the indemnity agreement contained in this Section 2.6(a) shall not apply to amounts paid in settlement of any Damages, if such settlement is effected without the consent of the Company, which consent shall not be unreasonably withheld, delayed or conditioned, nor shall the Company be liable for any Damages to the extent that they arise out of or are based upon actions or omissions made in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by such Holder, partner, member, stockholder, officer, director, legal counsel, accountant, underwriter, controlling Person of such Holder or other aforementioned Person.

(b) To the extent permitted by law, each Holder, severally and not jointly, will, if Registrable Securities held by such Holder are included in the securities as to which such registration qualifications or compliance is being effected, indemnify and hold harmless the Company, each of its directors, its officers and each Person, if any, who controls the Company within the meaning of the Securities Act, legal counsel and accountants for the Company, any underwriter and any other Holder selling securities under such registration statement (collectively (without the Company, each of its directors, its officers and each Person, if any, who controls the Company within the meaning of the Securities Act, legal counsel and accountants for the Company, or any underwriter), the "***Holder Indemnified Parties***"), against any Damages in each case only to the extent (and only to the extent) that such Damages arise out of or are based upon actions or omissions made in reliance upon and in conformity with written information furnished by such Holder (but not any other Holder) expressly for use in connection with such registration; and each such Holder will promptly reimburse any legal or other expenses reasonably incurred by the Company or any such director, officer, controlling Person, underwriter or other Holder, in connection with investigating or defending any claim or proceeding from which Damages may result, provided however, that the indemnity agreement contained in this Section 2.6(b) shall not apply to amounts paid in settlement of any such Damage if such settlement is effected without the prior written consent of the Holder, which consent shall not be unreasonably withheld, conditioned or delayed; and provided further, that the total amounts payable in indemnity by a Holder under this Section 2.6(b) in respect of any Damage shall not exceed the net proceeds received by such Holder in the registered offering out of which such Damage arises.

(c) Promptly after receipt by an indemnified party under this Section 2.6 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 2.6, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; *provided, however,* that an indemnified party shall have the right to retain its own counsel, with the fees and expenses thereof to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action shall relieve such indemnifying party of any liability to the indemnified party under this Section 2.6 to the extent, and only to the extent, prejudicial to its ability to defend such action, but the omission so to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 2.6.

(d) To provide for just and equitable contribution to joint liability under the Securities Act in any case in which either (i) any party otherwise entitled to indemnification hereunder makes a claim for indemnification pursuant to this Section 2.6 but it is judicially determined (by the entry of a final judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or the denial of the last right of appeal) that such indemnification may not be enforced in such case, notwithstanding the fact that this Section 2.6 provides for indemnification in such case, or (ii) contribution under the Securities Act may be required on the part of any party hereto for which indemnification is provided under this Section 2.6, then, and in each such case, such parties will contribute to the aggregate losses, claims, damages, liabilities, or expenses to which they may be subject (after contribution from others) in such proportion as is appropriate to reflect the relative fault of each of the indemnifying party and the indemnified party in connection with the statements, omissions, or other actions that resulted in such loss, claim, damage, liability, or expense, as well as to reflect any other relevant equitable considerations. The relative fault of the indemnifying party and of the indemnified party shall be determined by reference to, among other things, whether the untrue or allegedly untrue statement of a material fact, or the omission or alleged omission of a material fact, relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information, and opportunity to correct or prevent such statement or omission; provided, however, that in any such case, (x) no Holder will be required to contribute any amount in excess of the public offering price of all such Registrable Securities offered and sold by such Holder pursuant to such registration statement, and (y) no Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) will be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation; and provided further that in no event shall a Holder's liability pursuant to this Section 2.6(d), when combined with the amounts paid or payable by such Holder pursuant to Section 2.6(b), exceed the proceeds from the offering received by such Holder (net of any Selling Expenses paid by such Holder), except in the case of willful misconduct or fraud by such Holder.

(e) The obligations of the Company and Holders under this Section 2.6 shall survive completion of any offering of Registrable Securities in a registration statement and, with respect to liability arising from an offering to which this Section 2.6 would apply that is covered by a registration statement filed before the termination of this Agreement, the obligations of the Company and the Holders under this Section 2.6 shall also survive the termination of this Agreement. No indemnifying party, in the defense of any such claim or litigation, shall, except with the prior written consent of each indemnified party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect to such claim or litigation.

(f) Notwithstanding the foregoing, to the extent that the provisions on indemnification and contribution contained in the underwriting agreement entered into in connection with the underwritten public offering are in actual conflict with the foregoing provisions, the provisions in the underwriting agreement shall control.

2.7 Assignment of Registration Rights. The rights to cause the Company to register Registrable Securities pursuant to this Section 2 may not be assigned without the prior written consent of the Company, except by a Holder to a transferee or assignee of Registrable Securities (for so long as such shares remain Registrable Securities) if such transfer is of at least 10,000 Company Ordinary Shares and the transferee (i) is a member or members of the Holder's immediate family (spouse, brother, sister, parent, son or daughter) or to a corporate entity wholly owned by such Holder if such Holder is an individual, (ii) is an entity controlled by, controlling, or under common control with such Holder if such Holder is a corporation, (iii) is a partner or affiliated partnership managed by the same management company or managing (general) partner or by an entity which controls, is controlled by, or is under common control with, such management company or managing (general) partner if such Holder is a limited or general partnership, or (iv) is a fund (or shareholder or partner of any such fund), or beneficiary of a trust or an account or other arrangement, managed by such Holder or by the general partner or managing entity of such Holder or by an affiliate thereof; *provided, further however,* that (a) such transferor shall, within ten (10) days prior to such transfer, furnish to the Company written notice of the name and address of such transferee or assignee and the securities with respect to which such registration rights are being assigned and (b) such transferee shall agree in writing to be bound by and be subject to the terms and conditions of this Agreement (and, if required by the Merger Agreement or applicable Ancillary Agreements, such agreements).

2.8 Lock-Up. Nothing herein is intended to modify or derogate from, and each Holder acknowledges and agrees to, the lock-up provisions imposed on the Holder pursuant to Section 1.8(s) of the Merger Agreement.

2.9 Agreement to Furnish Information. If requested by the Company or the representative of the underwriters of Company Ordinary Shares (or other securities) of the Company, each Holder shall provide, within ten (10) days of such request, such information as may be reasonably required by the Company or such representative in connection with any registration statement to be effected hereunder where the Holder is one of the selling shareholders. The underwriters of the Company's shares are intended third party beneficiaries of Section 2.9 and shall have the right, power and authority to enforce the provisions hereof as though they were a party hereto.

2.10 Rule 144 Reporting. With a view to making available to the Holders the benefits of SEC Rule 144 and all other rules and regulations of the SEC which may at any time permit a Holder to sell securities of the Company to the public without registration shall:

(a) Make and keep public information available, as those terms are understood and defined in SEC Rule 144 or any similar or analogous rule promulgated under the Securities Act; and

(b) File with the SEC, in a timely manner, all reports and other documents required of the Company under the Exchange Act.

2.11 Termination of Registration Rights. No Holder shall be entitled to exercise any right provided for in (i) Section 2.1 after six months following the Closing and (ii) Section 2.2, three (3) years following the Closing.

2.12 Grant of Registration Rights to Third Parties. Nothing in this Agreement shall limit the Company's ability to grant to any third party, in its sole and absolute discretion, rights with respect to the registration of any securities issued or to be issued by the Company.

SECTION 3. MISCELLANEOUS.

3.1 Effectiveness. The terms and conditions set forth in this Agreement shall become effective as of the Effective Time and shall continue in effect until all the Merger Shares (and any outstanding shares or other securities issued by the Company directly or indirectly with respect to such Merger Shares by way of dividend, stock split, or distribution) have either ceased to be Registrable Securities or ceased to be held by the Sellers. If for any reason the Merger Agreement validly terminates without a Closing having occurred, then this Agreement shall be of no force or effect and there shall not be any liabilities of any kind hereunder.

3.2 Governing Law. THIS AGREEMENT AND THE LEGAL RELATIONS BETWEEN THE PARTIES HERETO SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE, WITHOUT REGARD TO THE CONFLICT OF LAWS RULES THEREOF. THE STATE OR FEDERAL COURTS LOCATED WITHIN DELAWARE SHALL HAVE EXCLUSIVE JURISDICTION OVER ANY AND ALL DISPUTES BETWEEN THE PARTIES HERETO, WHETHER IN LAW OR EQUITY, ARISING OUT OF OR RELATING TO THIS AGREEMENT AND THE AGREEMENTS, INSTRUMENTS AND DOCUMENTS CONTEMPLATED HEREBY AND THE PARTIES CONSENT TO AND AGREE TO SUBMIT TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS. EACH OF THE PARTIES HEREBY WAIVES AND AGREES NOT TO ASSERT IN ANY SUCH DISPUTE, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY CLAIM THAT (A) SUCH PARTY IS NOT PERSONALLY SUBJECT TO THE JURISDICTION OF SUCH COURTS, (B) SUCH PARTY AND SUCH PARTY'S PROPERTY IS IMMUNE FROM ANY LEGAL PROCESS ISSUED BY SUCH COURTS OR (C) ANY LITIGATION OR OTHER PROCEEDING COMMENCED IN SUCH COURTS IS BROUGHT IN AN INCONVENIENT FORUM. EACH PARTY TO THIS AGREEMENT IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 3.9 BELOW. NOTHING IN THIS AGREEMENT SHALL AFFECT THE RIGHT OF ANY PARTY TO THIS AGREEMENT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

3.3 Waiver of Jury Trial. EACH OF THE PARTIES TO THIS AGREEMENT HEREBY IRREVOCABLY WAIVES, AND SHALL CAUSE ITS SUBSIDIARIES, IF ANY, AND AFFILIATES TO WAIVE, ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

3.4 Successors and Assigns. Except as otherwise expressly provided herein, the provisions hereof shall inure to the benefit of, and be binding upon, the parties hereto and their respective successors, assigns, heirs, executors, and administrators and shall inure to the benefit of and be enforceable by each person who shall be a holder of Registrable Securities from time to time; *provided, however*, that prior to the receipt by the Company of adequate written notice of the transfer of any Registrable Securities specifying the full name and address of the transferee, the Company may deem and treat the person listed as the holder of such shares in its records as the absolute owner and holder of such shares for all purposes, including the payment of dividends or any redemption price.

3.5 Entire Agreement. This Agreement, the Exhibits and Schedules hereto, the Merger Agreement and the other documents delivered pursuant thereto constitute the full and entire understanding and agreement between the parties with regard to the subjects hereof, supersedes all other agreements between or among any of the parties with respect to the subject matter hereof, and no party shall be liable or bound to any other in any manner by any oral or written representations, warranties, covenants and agreements except as specifically set forth herein and therein. Each party expressly represents and warrants that it is not relying on any oral or written representations, warranties, covenants or agreements outside of this Agreement.

3.6 Severability. In the event one or more of the provisions of this Agreement should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provisions of this Agreement, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

3.7 Amendment and Waiver. This Agreement may be amended only by an agreement in writing executed by the Company and the Stockholders' Representative. Any such amendment shall be binding on all the Sellers, whether or not they execute such amendment. Either party may waive in whole or in part any benefit or right provided to it under this Agreement, such waiver being effective only if contained in a writing executed by the waiving party. No failure by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon breach thereof shall constitute a waiver of any such breach or of any other covenant, duty, agreement or condition, nor shall any delay or omission of either party to exercise any right hereunder in any manner impair the exercise of any such right accruing to it thereafter.

3.8 Delays or Omissions. It is agreed that no delay or omission to exercise any right, power, or remedy accruing to any party, upon any breach, default or noncompliance by another party under this Agreement shall impair any such right, power, or remedy, nor shall it be construed to be a waiver of any such breach, default or noncompliance, or any acquiescence therein, or of any similar breach, default or noncompliance thereafter occurring. It is further agreed that any waiver, permit, consent, or approval of any kind or character on any party's part of any breach, default or noncompliance under the Agreement or any waiver on such party's part of any provisions or conditions of this Agreement must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement, by law, or otherwise afforded to any party, shall be cumulative and not alternative.

3.9 Notices. All notices required or permitted hereunder shall be in writing and shall be deemed effectively given: (a) upon personal delivery to the party to be notified, (b) when sent by confirmed electronic mail or facsimile if sent during normal business hours of the recipient; if not, then on the next business day, (c) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (d) one (1) day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent to the party to be notified at the address as set forth on the signature pages hereof or at such other address or electronic mail address as such party may designate by ten (10) days advance written notice to the other parties hereto.

3.10 Titles and Subtitles. The titles of the sections and subsections of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

3.11 Additional Holders. Notwithstanding anything to the contrary contained herein, if additional Sellers entitled to become parties to this Agreement under the Merger Agreement provide their countersignatures to this Agreement (and other reasonably required information by the Company) following the date hereof but not later than 10 days thereafter, they shall be included within the definition of both "***Holder***" (and, if applicable, "***Accredited Holder***") and Exhibit A shall be updated accordingly, effective within one Business Day following receipt by the Company of such countersignature (and other reasonably required information by the Company).

3.12 Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, and all of which together shall be deemed to be one and the same instrument. Facsimile signatures or signatures exchanged via electronic transmission in pdf format or other comparable format shall be accepted the same as an original signature. A photocopy of this Agreement may be used in any action brought to enforce or construe this Agreement.

3.13 Stockholders' Representative. The Sellers and Stockholders' Representative acknowledge that the provisions of Section 8.12 of the Merger Agreement shall govern their relationship under this Agreement, *mutatis mutandis*.

[THIS SPACE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have executed this **REGISTRATION RIGHTS AGREEMENT** as of the date set forth in the first paragraph hereof.

COMPANY:

ATTUNITY LTD.

By:_____

Its:_____

In Witness Whereof, the parties hereto have executed this **Registration Rights Agreement** as of the date set forth in the first paragraph hereof.

Frank Gelbart
(AS STOCKHOLDERS' REPRESENTATIVE)

_____
Frank Gelbart

IN WITNESS WHEREOF, the parties hereto have executed this **REGISTRATION RIGHTS AGREEMENT** as of the date set forth in the first paragraph hereof.

SELLERS:

_____
(Print name of individual or entity)

_____
(Signature)

_____
(Name, if applicable)

_____
(Title, if applicable)

Address:_____
_____
_____
Email:_____

EXHIBIT A

SCHEDULE OF SELLERS

SELLERS – ACCREDITED INVESTORS

NAME	ADDRESS	CLOSING SHARE CONSIDERATION	HOLDBACK SHARE CONSIDERATION*	MAXIMUM EARNOUT SHARES (FOR REGISTRATION PURPOSES)*

*** SEE SECTION 2.2(F) OF THIS AGREEMENT.**

SELLERS – UN-ACCREDITED INVESTORS

NAME	ADDRESS	CLOSING SHARE CONSIDERATION	HOLDBACK SHARE CONSIDERATION*	MAXIMUM EARNOUT SHARES (FOR REGISTRATION PURPOSES)*

*** SEE SECTION 2.2(F) OF THIS AGREEMENT.**

EXHIBIT 8

LIST OF SUBSIDIARIES

We have the following principal operating subsidiaries:

Subsidiary Name	Country of Incorporation	Ownership Percentage
Attunity Inc.	United States	100%
Attunity (UK) Limited	United Kingdom	100%
Attunity (Hong Kong) Ltd.	Hong-Kong	100%
Attunity Israel (1992) Ltd.	Israel	100%
RepliWeb Inc.	United States	100%
Hayes Technologies Group, Inc.	United States	100%
Appfluent Technology, LLC	United States	100%

EXHIBIT 12.1

CERTIFICATION
pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended

I, Shimon Alon, certify that:

1. I have reviewed this annual report on Form 20-F of Attunity 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 officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent function):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 14, 2015

/s/Shimon Alon
Shimon Alon
Chairman and Chief Executive Officer

EXHIBIT 12.2

CERTIFICATION
pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended

I, Dror Harel-Elkayam, certify that:

1. I have reviewed this annual report on Form 20-F of Attunity 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 officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent function):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 14, 2015

/s/ Dror Harel-Elkayam
Dror Harel-Elkayam
Chief Financial Officer and Secretary

EXHIBIT 13.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350

In connection with the Annual Report of Attunity Ltd (the "Company") on Form 20-F for the period ended December 31, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Shimon Alon, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, that, to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/Shimon Alon
Shimon Alon
Chairman and Chief Executive Officer

April 14, 2015

EXHIBIT 13.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350

In connection with the Annual Report of Attunity Ltd (the "Company") on Form 20-F for the period ended December 31, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dror Harel-Elkayam, Chief Financial Officer and Secretary of the Company, certify, pursuant to 18 U.S.C. § 1350, that, to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 14, 2015

/s/ Dror Harel-Elkayam
Dror Harel-Elkayam
Chief Financial Officer and Secretary

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 No. 333-173205, 333-138044, 333-122937 and 333-119157) and Registration Statements on Form S-8 (Registration No. 333-122302, 333-142284, 333-164656, 333-184136 and 333-193783) of Attunity Ltd. of our reports dated April 14, 2015 with respect to the consolidated financial statements of Attunity Ltd. and its subsidiaries and the effectiveness of internal control over financial reporting of Attunity Ltd. and its subsidiaries for the year ended December 31, 2014 included in this Annual Report on Form 20-F for the year ended December 31, 2014.

/s/ KOST FORER GABBAY & KASIERER

Tel-Aviv, Israel
April 14, 2015

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