UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F

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

OR

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

For the fiscal year ended December 31, 2019

OR

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

OR

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

Date of event requiring this shell company report______________________________
For the transition period from ____ to _____

Commission File No. 000-51694

Perion Network Ltd.

(Exact Name of Registrant as specified in its charter)

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

Israel
(Jurisdiction of incorporation or organization)

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

Maoz Sigron, Chief Financial Officer
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26 HaRokmim Street
Holon, Israel 5885849
(Name, Telephone, E-mail and /or Facsimile Number and Address of Company Contact Person)

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

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on which Registered
Ordinary shares, par value NIS 0.03 per share	**PERI**	**Nasdaq Global Select Market**

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

None
(Title of Class)

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

None
(Title of Class)

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

As of December 31, 2019, the Registrant had outstanding 26,242,459 ordinary shares, par value NIS 0.03 per share (excluding treasury shares).

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, a non-accelerated filer, or an emerging growth company. See definition of “large accelerated filer, “accelerated filer,” and “emerging growth company” in Rule 12b-2 of the Exchange Act

Large accelerated filer ☐	Accelerated filer ☒	Non-accelerated filer ☐
		Emerging growth company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act. ☐

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 statement item the registrant has elected to follow.

Item 17 ☐ Item 18 ☐

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

Yes ☐ No ☒

PRELIMINARY NOTES

Terms

As used herein, and unless the context suggest otherwise, the terms "Perion," "Company," "we," "us" or "ours" refer to Perion Network Ltd. and subsidiaries. References to "dollar" and "$" are to U.S. dollars, the lawful currency of the United States, and references to "NIS" are to New Israeli Shekels, the lawful currency of the State of Israel. This annual report contains translations of certain NIS amounts into U.S. dollars at specified rates solely for your convenience. These translations should not be construed as representations by us that the NIS amounts actually represent such U.S. dollar amounts or could, at this time, be converted into U.S. dollars at the rate indicated. Unless otherwise indicated, we have translated NIS amounts into U.S. dollars at an exchange rate of NIS 3.456 to $1.00, the representative exchange rate reported by the Bank of Israel on December 31, 2019.

Changes in Share Capital

On August 26, 2018, following the approval of a special general meeting of our shareholder held on August 2, 2018, the Company executed a 3-to-1 reverse share split of the Company's ordinary shares, such that each three ordinary shares, par value NIS 0.01 per share, have been consolidated into one ordinary share, par value NIS 0.03. Unless otherwise indicated, all of the share numbers and the option numbers in this Form 20-F have been adjusted, on a retroactive basis, to reflect this 3-to-1 reverse share split.

Forward-Looking Statements

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

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

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

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

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

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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

We derived the selected operations data below for the years ended December 31, 2017, 2018 and 2019 and the selected balance sheet data as of December 31, 2018 and 2019 from our audited consolidated financial statements and the related notes to the financial statements included elsewhere herein (the “Financial Statements”). We derived the selected operations data below for the years ended December 31, 2015 and 2016 and the selected balance sheet data as of December 31, 2015, 2016 and 2017 from our audited consolidated financial statements not incorporated by reference in this report. Our consolidated financial statements are prepared and presented in U.S. dollars and in accordance with U.S. Generally Accepted Accounting Principles (“U.S. GAAP”). The following tables present selected financial data and should be read in conjunction with “Item 5 – Operating and Financial Review and Prospects” and our Financial Statements.

	Year ended December 31, (U.S. dollars in thousands, except share and per share data)				
	2015	**2016**	**2017**	**2018**	**2019**
Revenues:					
Advertising	$ 32,053	$ 140,111	$ 134,481	$ 125,977	$ 87,863
Search and other	188,897	172,683	139,505	126,868	173,587
Total Revenues	220,950	312,794	273,986	252,845	261,450
Costs and Expenses:					
Cost of revenues	7,877	25,924	24,659	23,757	25,520
Customer acquisition costs and media buy	91,194	140,210	130,885	128,351	135,891
Research and development	21,692	25,221	17,189	18,884	22,585
Selling and marketing	22,886	54,559	52,742	38,918	34,736
General and administrative	31,064	28,827	21,911	16,450	14,999
Restructuring charges	1,052	728	-	2,075	-
Impairment, net of gain on reversal of contingent consideration	72,785	-	85,667	-	-
Depreciation and amortization	11,422	25,977	16,591	9,719	9,711
Total Costs and Expenses	259,972	301,446	349,644	238,154	243,442
Income (Loss) from Operations	(39,022)	11,348	(75,658)	14,691	18,008
Financial expense, net	1,939	8,288	5,922	3,794	3,470
Income (Loss) before Taxes on Income	(40,961)	3,060	(81,580)	10,897	14,538
Taxes on income (Benefit)	697	212	(8,826)	2,776	1,645
Net Income (Loss) from Continuing Operations	(41,658)	2,848	(72,754)	8,121	12,893
Net loss from discontinued operations	26,999	2,647	-	-	-
Net Income (Loss)	$ (68,657)	$ 201	$ (72,754)	$ 8,121	$ 12,893
Net Earnings (Loss) per Share - Basic:					
Continuing operations	$ (1.74)	$ 0.11	$ (2.81)	$ 0.31	$ 0.50
Discontinued operations	$ (1.14)	$ (0.10)	$ -	$ -	-
Net Income (Loss)	$ (2.88)	$ 0.01	$ (2.81)	$ 0.31	$ 0.50
Net Earnings (Loss) per Share – Diluted:					
Continuing operations	$ (1.74)	$ 0.11	$ (2.81)	$ 0.31	$ 0.49
Discontinued operations	$ (1.14)	$ (0.10)	$ -	$ -	-
Net Income (Loss)	$ (2.88)	$ 0.01	$ (2.81)	$ 0.31	$ 0.49
Number of shares continuing and discontinued:					
Basic	23,766,811	25,520,151	25,849,724	25,850,067	25,965,357
Diluted	23,766,811	25,557,934	25,849,724	25,855,225	26,357,585

Balance Sheet Data (U.S. dollars in thousands):	**As of December 31,**				
	2015	**2016**	**2017**	**2018**	**2019**
Cash and cash equivalents	$ 17,519	$ 23,962	$ 31,567	$ 39,109	$ 38,389
Working capital	$ 37,394	$ 27,048	$ 32,895	$ 26,779	$ 31,799
Total assets	$ 442,298	$ 368,452	$ 274,027	$ 256,446	$ 283,777
Total liabilities	$ 242,461	$ 160,308	$ 135,695	$ 107,665	$ 118,595
Shareholders’ equity	$ 199,837	$ 208,144	$ 138,332	$ 148,781	$ 165,182

B. CAPITALIZATION AND INDEBTEDNESS

Not applicable.

C. REASONS FOR OFFER AND USE OF PROCEEDS

Not applicable.

D. RISK FACTORS

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

Risks Related to our Business and Industry

Our advertising customers may reduce or terminate their business relationship with us at any time. If customers representing a significant portion of our revenue reduce or terminate their relationship with us, it could have a material adverse effect on our business, results of operations and financial condition.

We generally do not enter into long-term contracts with our advertising customers, and such customers do business with us on a non-exclusive basis. In most cases, our customers may terminate or reduce the scope of their agreements with little or no penalty or notice. Accordingly, our business is highly vulnerable to adverse economic conditions, market evolution, development of new or more compelling offerings by our competitors and development by our advertising customers of in-house replacement services. Any reduction in spending by, or loss of, existing or potential advertisers would negatively impact our revenue and operating results.

Furthermore, the discretionary, non-exclusive nature of our relationships with advertising customers subject us to increased pricing pressure. Although we believe our rates are competitive, our competitors may be able to offer more favorable pricing or other advantageous terms. As a result, we may be compelled to reduce our rates, offer other incentives or other more compelling pricing models in order to maintain our current customers and attract new customers. If a significant number of customers are able to compel us to charge lower rates or provide rate concessions or incentives, there is no assurance that we would be able to compensate for such price reductions or conserve our profit margins.

Large and established internet and technology companies, such as Google and Facebook, play a substantial role in the digital advertising market and may significantly impair our ability to operate in this industry.

Google and Facebook are substantial players in the digital advertising market and account for a large portion of the digital advertising budgets, along with other smaller players. Such high concentration causes us to be subject to any unilateral changes they may make with respect to advertising on their respective platforms, which may be more lucrative than alternative methods of advertising or partnerships with other publishers that are not subject to such changes. Furthermore, we could have limited ability to respond to, and adjust for, changes implemented by such players.

These companies, along with other large and established Internet and technology companies, may also leverage their power to make changes to their web browsers, operating systems, platforms, networks or other products or services in a way that impacts the entire digital advertising marketplace.

Since February 2018, the Google Chrome internet browser supports the “Better Ads Standards” implemented by the Coalition for Better Ads, an industry body formed by leading international trade associations and companies involved in online media (in which Undertone is also a member), and remove all ads from certain sites that violate this standard. This, together with other advertisement-blocking technologies incorporated in or compatible with leading internet browsers, could impact on Undertone’s ad units (as well as those of Undertone’s competitors) and advertisements served through Content IQ. These changes could materially impact the way we do business, and if we or our advertising partners are unable to quickly and effectively adjust to those changes, there could be an adverse effect on our revenues and performance.

The consolidation among participants within the digital advertising market could have a material adverse impact on our business and results of operations.

The digital advertising industry has experienced substantial evolution and consolidation in recent years and we expect this trend to continue, increasing the capabilities and competitive posture of larger companies, particularly those that are already dominant in various ways, and enabling new or stronger competitors to emerge. This consolidation could adversely affect our business in a number of ways, including:

- our customers or partners could acquire, or be acquired by, our competitors and terminate their relationship with us;
- competitors could improve their competitive position or broaden their offerings through strategic acquisitions or mergers.

Our primary advertising customers are advertising agencies, and many of those agencies are owned, affiliated with or controlled by a small number of large holding companies. If any of these holding companies decide to reduce or terminate their business relationship with us for any reason, it may lead to a material adverse impact on our revenue and profitability.

We are currently able to serve, track and manage advertisements for our customers as well as for our own operations, on a variety of networks and websites. The consolidation trend could substantially impair our ability to operate if such consolidated companies decide not to permit us to serve, track or manage advertisements on their websites and/or on our properties, if they

develop ad placement systems that are incompatible with our ad serving capabilities or if they use their market power to force their customers to use certain vendors on their networks or websites.

If the demand for digital advertising does not continue to grow or customers do not embrace our solutions, this could have a material adverse effect on our business and financial condition.

A substantial portion of our revenues is derived from the sale of our digital advertising solutions and we have made significant investments in our ability to deliver high impact advertising which is compatible on multiple devices and channels as well as partnered with advertising networks in order to be able to serve ads on our properties. Nonetheless, (i) if customers do not embrace our solutions (ii) if our integration with advertising networks is not successful, (iii) if there is a reduction in general demand for digital advertising, in spend for certain channels or solutions, or (iv) if the demand for our specific solutions and offerings is decreased, our revenues could decline or otherwise our business may be adversely affected.

Due to our evolving business model and rapid changes in the Internet and the nature of services, it is difficult to accurately predict our future performance and may be difficult to increase revenue or profitability.

As the digital advertising ecosystem is dynamic, seasonal and challenging, it is hard to predict our future performance, and making predictions, particularly with regard to the effect of our efforts to aggressively increase the distribution and profitability. If we are unable to continuously improve our systems and processes, adapt to the changing and dynamic needs of our customers and align our expenses with our revenue level, it will impair our ability to structure our offerings to be compelling and profitable.

We depend on publishers to supply us with advertising inventory in order for us to deliver advertising campaigns in a cost-effective manner.

We rely on a diverse set of publishers including direct publishers, advertising exchange platforms and other platforms, that aggregate advertising inventory, to provide us with high-quality digital advertising inventory on which we deliver ads, collectively referred to as “supply sources.” The future growth of our advertising business will depend, in part, on our ability to enter into, maintain and further develop successful business relationships in order to increase the network of our supply sources. If we are unsuccessful in establishing or maintaining our relationships with supply sources on commercially reasonable terms, or if these relationships are not profitable for us and competitive in the marketplace, our ability to compete in the marketplace or to grow our revenues from our advertising business could be adversely affected. Our supply sources typically supply their advertising inventory to us on a non-exclusive basis and are not required to provide any minimum amounts of advertising inventory to us or to provide us with a consistent supply of advertising inventory, at any predetermined price or through real time bidding. Supply sources often maintain relationships with various sources of demand that compete with us, and it is easy for supply sources to quickly shift their advertising inventory among these demand sources, or to shift inventory to new demand sources, without notice or accountability. Supply sources may also seek to change the terms at which they offer inventory to us, or they may allocate their advertising inventory to our competitors who offer more favorable economic terms or whose offerings or technology are considered more beneficial. Supply sources may also elect to sell all, or a portion, of their advertising inventory directly to advertisers and agencies, or they may develop their own competitive offerings, which could diminish the demand for our solutions. In addition, significant supply sources within the industry may enter into exclusivity arrangements with our competitors, which could limit our access to a meaningful supply of inventory. As a result of all of these factors, our supply sources may not supply us with sufficient amounts of high-quality digital advertising inventory in order for us to fulfill the demands of our advertising customers.

Additionally, our ability to access advertising inventory in a cost-effective manner may be constrained or affected as a result of a number of other factors, including, but not limited to:

- Supply sources may impose significant restrictions on the advertising inventory they sell or may impose other unfavorable terms and conditions on the advertisers using their sites or platforms. For example, these restrictions may include frequency caps, prohibitions on advertisements from specific advertisers or specific industries, or restrictions on the use of specified creative content or advertising formats as well as content adjacent restrictions, which would restrain our supply of available inventory.

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

- Social media platforms may be successful in keeping users within their sites via products such as Facebook’s Instant Articles which may be competitive to our offerings and solutions. If, as a result, users are not on the open web, advertising inventory on the open web (including our publisher’s and our owned and operated sites) may be reduced or may become less attractive to our advertising customers.

- Supply sources may be reluctant or unable to adopt certain of our proprietary and unique high-impact ad formats for a variety of reasons (such as user preference changes making such ad formats less desirable, or technological limitations, such as connection with header bidding or the ability to transact programmatically) resulting in limited advertising inventory supply for such formats and inhibiting our ability to scale such formats.

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

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

Maintaining and enhancing our brands is an important aspect of our efforts to attract and expand our agency, advertiser, and publisher base. We have spent, and expect to continue spending considerable sums and other resources on the establishment, building and maintenance of our brands, as well as on enhancing market awareness of them. Our brands, however, may be negatively impacted by a number of factors, including but not limited to, fraudulent, inappropriate or misleading content on publisher sites on which we serve ads, service outages, product malfunctions, data protection and security issues, and exploitation of our trademarks by others without our permission. If we are unable to maintain or enhance our brands in a cost-effective manner, our business and operating results could be materially adversely affected.

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

It is important for advertisers that their advertisements are not placed in or near content that is unlawful or would be deemed offensive or inappropriate by their customers, or near other advertisements for competing brands or products. While we strive to have all of our online advertisements appear in a brand-safe environment, we cannot guarantee that they will be delivered in such an environment. If we are not successful in doing so, our reputation could suffer and our ability to attract potential advertisers and retain and expand business with existing advertisers could be harmed, or our customers may seek to avoid payment or demand refunds, any of which could harm our business and operating results.

The advertising industry is highly competitive. If we cannot compete effectively in this market, our revenues are likely to decline.

We face intense competition in the marketplace. We operate in a dynamic market that is subject to rapid development and introduction of new technologies, products and solutions, changing branding objectives, evolving customer demands and industry guidelines, all of which affect our ability to remain competitive. There are a large number of digital media companies and advertising technology companies that offer products or services similar to ours and that compete with us for finite advertising budgets and for limited inventory from publishers. There is also a large number of niche companies that are competitive with us, as they provide a subset of the services that we provide. Some of our existing and potential competitors may be better established, benefit from greater name recognition, may offer solutions and technologies that we do not offer or that are more evolved than ours, and may have significantly more financial, technical, sales and marketing resources than we do. In addition, some competitors, particularly those with a larger and more diversified revenue base and a broader offering, may have greater flexibility than we do to compete aggressively on the basis of price and other contract terms as well as respond to market changes. Additionally, companies that do not currently compete with us in this space may change their services to be competitive if there is a revenue opportunity, and new or stronger competitors may emerge through consolidations or acquisitions. If our digital advertising platform and solutions are not perceived as competitively differentiated or we fail to develop adequately to meet market evolution, we could lose customers and market share or be compelled to reduce our prices and harm our operational results.

Our advertising business is susceptible to seasonality, unexpected changes in campaign size and prolonged cycle time, which could affect our business, results of operations and ability to repay indebtedness when due.

The revenue of our advertising business is affected by a number of factors, including:

- Historically, in most cases our advertising solution experienced the lowest sales in the first quarter and the highest sales in the fourth quarter, with the second and third quarters being slightly stronger than the first quarter. Fourth quarter sales tend to be the highest due to a need to utilize remaining budgets, and increased customer advertising volumes during the holiday selling season.

- Product and service revenues are influenced by political advertising, which generally occurs every two years.

- In any single period, product and service revenues and delivery costs are subject to significant variation based on changes in the volume and mix of deliveries performed during such period.

- Revenues are subject to the changes of brand marketing trends, including when and where brands choose to spend their money in a given year.

- Advertising customers generally retain the right to supplement, extend, or cancel existing advertising orders at any time prior to their completion, and we have no control over the timing or magnitude of these revenue changes.

- Relative complexity of individual advertising formats, and the length of the creative design process.

As a result, our profit from these operations is seasonal, with the fourth quarter being the major contributor to our profits and the first quarter possibly resulting in a loss. Moreover, due to the long receivable cycle and shorter payable cycle, this seasonality puts strains on our cash flow through the first and second quarter of every year.

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

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

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

Advertisement-blocking technologies, such as mobile apps or browser extensions that limit or block the delivery or display of advertisements, are currently available for desktop and mobile users. Further, new browsers and operating systems, or updates to current browsers or operating systems, offer native advertisement-blocking technologies to their users, such as the support of Google Chrome in blocking advertisements from web sites that violate the “Better Ads Standards” established by the Coalition for Better Ads (in which Undertone is a member). The more such technologies become widespread, our business may be adversely affected, and so are our financial condition and results of operations.

Our advertising business depends on our ability to collect and use data, and any limitation on the collection and use of this data could significantly diminish the value of our solutions and cause us to lose customers, revenue and profit.

In most cases, when we deliver an advertisement, we are often able to collect certain information about the content and placement of the ad, the relevancy of such ad to a user and the interaction of the user with the ad, such as whether the user viewed or clicked on the ad or watched a video. As we collect and aggregate data provided by billions of ad impressions and third-party providers, we analyze the data in order to measure and optimize the placement and delivery of our advertising inventory and provide cross-channel advertising capabilities. Our ability to access and utilize such data is crucial.

Our publishers or advertisers might decide not to allow us to collect some or all of this data or might limit our use of this data. Our ability to either collect or use data could be restricted by new laws or regulations, including, the General Data Protection Regulation (the “GDPR”), in the European Union which entered into effect in May 2018, and presumably broaden the definition of personal data to include location data and online identifiers, which are commonly used and collected parameters in digital advertising, and impose more stringent user consent requirements, changes in technology, operating system restrictions, requests to discontinue using certain data, restrictions imposed by advertisers and publishers, industry standards or consumer choice.

Additionally, in June 2018, California passed the California Consumer Privacy Act (“CCPA”), which provides new data privacy rights for consumers and new operational requirements for companies. Specifically, the CCPA provides that covered companies must provide new disclosures to California consumers and afford such consumers new abilities to opt-out of certain sales of personal information. The CCPA became operative in January 1, 2020 and additional U.S. states may begin to implement similar new laws or regulation. The CCPA provides for civil penalties for violations, as well as a private right of action for data breaches that is expected to increase data breach litigation. We cannot fully predict the impact of the CCPA on our business or operations, but it may require us to modify our data practices and policies and to incur substantial costs and expenses in an effort to comply. Some observers have noted the CCPA could mark the beginning of a trend toward more stringent privacy legislation in the United States, which could increase our potential liability and adversely affect our business.

Further, in March 2017, the United Kingdom ("U.K.") formally notified the European Council of its intention to leave the EU pursuant to Article 50 of the Treaty on European Union ("Brexit") and subsequently ceased to be an EU Member State on January 31, 2020, but enacted, a Data Protection Act substantially implementing the GDPR, effective in May 2018, which was further amended to align more substantially with the GDPR following Brexit. It is unclear how U.K. data protection laws or regulations will develop in the medium to longer term and how data transfers to and from the U.K. will be regulated. In addition, some countries are considering or have enacted legislation requiring local storage and processing of data that could increase the cost and complexity of delivering our services.

In addition, failure to comply with the Israeli Privacy Protection Law 1981, and its regulations as well as the guidelines of the Israeli Privacy Protection Authority, may expose us to administrative fines, civil claims (including class actions) and in certain cases criminal liability. Current pending legislation may result in a change of the current enforcement measures and sanctions.

If this happens, we may not be able to optimize ad placement for the benefit of our advertisers and publishers, which could render our solutions less valuable and potentially result in loss of clients and a decline in revenues. Additional details are provided below under "Risks related to Regulatory Changes" and "— Risks Related to our Technological Environment."

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

Our success depends on our ability to provide customers with innovative, high-quality advertising solutions and services that foster consumer engagement. We face intense competition in the marketplace and are confronted by rapidly changing technology, evolving industry standards and consumer needs, and the frequent introduction of new products and solutions by competitors, as well as publishers themselves, that we must adapt and respond to in order to remain competitive. Therefore, our continued success depends in part upon our ability to develop new solutions and technologies, enhance our existing solutions and expand the scope of our offerings to meet the evolving needs of the industry. As a result, we must continue to invest significant resources in research and development in order to enhance our technology and our existing solutions and services, and introduce new high-quality solutions and services.

Our operating results will also suffer if our innovations are not responsive to the needs of our customers, are not appropriately timed with market opportunity or are not effectively brought to market. If we are unable to accurately forecast market demands or industry changes, if we are unable to develop or introduce our solutions and services in a timely manner, or if we fail to provide quality solutions and services that run without complication or service interruptions or do not respond properly to the ever changing technological landscape, we may damage our brand and our ability to retain or attract customers. As online advertising technologies continue to develop, our competitors may be able to offer solutions that are, or that are perceived to be, substantially similar or better than those offered by us. Customers will not continue to do business with us if our solutions do not deliver advertisements in an appropriate and effective manner, through a variety of distribution channels and methods, or if the advertising we deliver does not generate the desired results. In addition, advertising customers may find that content made available through our properties is not suitable for their advertising requirements or that our competitors offer content which is more lucrative and relevant to their advertising needs, resulting in reduction of their advertising spend with us. If we are unable to meet these challenges, our business and results of operations could be materially adversely affected.

Sales efforts with advertisers and ad agencies require significant time and expense and may ultimately be unsuccessful.

Contracting with new advertisers and ad agencies requires substantial time and expenses, and we may not be successful in establishing new relationships or in maintaining current relationships. It is often difficult to identify, engage, and market to potential advertising customers who are unfamiliar with our brand or services, and we may spend substantial time and resources educating customers about our unique offerings, including providing demonstrations and comparisons against other available solutions, without ultimately achieving the desired results. In addition, there has been commoditization of services provided in digital advertising, resulting in margin pressure. Furthermore, many of our advertising clients' purchasing and design decisions generally require input from multiple internal and external parties of these clients, requiring that we identify those involved in the purchasing decision and devote a sufficient amount of time to present our services to each of those decision-making individuals. On top of that, there has been commoditization of services provided in digital advertising, resulting in margin pressure. We may not be able to reduce our sales and marketing expenses to correspond proportionately to periods of reduced revenues. If we are not successful in streamlining our sales processes with potential clients in a cost-effective manner, or if our efforts are unsuccessful, our ability to grow our business may be adversely affected.

Our growth depends in part on the success of our relationships with advertising agencies.

While we work with some brand advertisers directly, our primary advertising customers are advertising agencies, who are paid by their brand customers to develop their media plans. The agencies, in turn, contract with third parties, like us, to execute and fulfill their brands' advertising campaigns. As a result, our future growth will depend, in part, on our ability to enter into and maintain successful business relationships with advertising agencies.

Identifying agencies, engaging in sales efforts, and negotiating and documenting our agreements with agencies require significant time and resources. These relationships may not result in additional brand customers or campaigns for our business, and may not ultimately enable us to generate significant revenues. Our contracts with advertising agencies are typically non-exclusive and the agencies often work with our competitors or offer competing services or solutions.

When working with agencies to deliver campaigns on behalf of their brand customers, we generally bill the agency for our products and services, and in most cases, the brand has no direct contractual commitment to us to make any payments. Furthermore, some agencies contractually limit their payment obligations to us through sequential liability provisions, whereby the agency is liable for payment if, and only to the extent, that the agency collects a corresponding payment from the brand on whose behalf our services were rendered. These circumstances may result in longer collections periods, increased costs associated with pursuing brands directly for payments, or our inability to collect payments. In summary, if we are unsuccessful in establishing or maintaining our relationships with these agencies on commercially reasonable terms or if the agencies are unable to effectively collect corresponding payments from the brands, our ability to compete in the marketplace or to grow our revenues could be impaired and our operating results would suffer.

If the demand for social advertising does not grow as expected, or if our solution for advertising through those channels is not competitive, the revenues related to our advertising cloud platform could decline.

We leverage the capabilities of Make Me Reach, our advertising cloud platform, to offer our customers the ability to deliver ads on social networks. The future growth of this market could be negatively impacted if consumers decrease the time they spend engaging on social media sites or mobile applications. In addition, the demand for advertising in these channels, and the success of our social solutions in particular, may be constrained by the limited flexibility, increased requirements that are associated with advertising in these channels, and the social networks working through independent service providers. As a result, it is difficult to predict the future customer demand for our solution, and there is no guarantee that we will be able to generate significant revenues from our advertising cloud platform. In addition to the foregoing, our advertising cloud platform is dependent on our ability to create, optimize, and manage our customers' advertising campaigns on Facebook, Instagram, Google, Amazon, LinkedIn, Snapchat, Pinterest and Twitter. As a result, we are subject to each social network's respective terms and conditions governing our ability to access and utilize its platform. Our advertising cloud platform would be harmed if any of these social networks discontinues our partnership, makes changes to its platform, or modifies the terms and standards applicable to its marketing partners or to advertising on its platform in general. Moreover, these social networks may develop offerings or features that compete with or substitute our solution or may otherwise make changes to their platforms that would render our social advertising solution obsolete. Further, consumers may migrate away to other social networking platforms with which we are not affiliated, which would in turn decrease the demand for our solutions. Any of these outcomes could cause demand for our social marketing platform to decrease, our development costs to increase, and our results of operations and financial condition to be harmed.

Our search solution depends heavily upon revenues generated from our agreement with Microsoft, and any adverse change in that agreement could adversely affect our business, financial condition and results of operations.

We are highly dependent on our search services agreement with Microsoft Irelands Operations Limited. In October 2017, we entered into a renewed agreement with Microsoft Ireland Operations Limited effective as of January 1, 2018 until December 31, 2020 (the "Microsoft Agreement"). In 2019, the Microsoft Agreement accounted for 63% of our revenues. In this annual report on Form 20-F we refer to Microsoft Corporation and its affiliates as Microsoft.

If our Microsoft Agreement is terminated or substantially amended (not on favorable terms), we would experience a material decrease in our search-generated revenues or the profits it generates and would be forced to seek alternative search providers, at less competitive terms. There are very few companies in the market that provide Internet search and search advertising services similar to those provided by Microsoft such as Google and Verizon Media. Such companies are substantially the only participants in western markets, and competitors do not offer as much coverage through sponsored links or searches. If we fail to quickly locate, negotiate and finalize alternative arrangements, or if we do, but the alternatives do not provide for terms that are as favorable as those currently provided and utilized, we would experience a material reduction in our revenues and, in turn, our business, financial condition and results of operations would be adversely affected.

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

In 2019, the top five publishers distributing our search services accounted for approximately 36% of our revenues. There can be no assurance that these existing publishers will continue utilizing the revenue-generating monetization services at the

levels they did in the past or at all. The loss of a substantial portion of our relationships with these publishers, or a substantial reduction in their level of activity, could cause a material decline in our revenues and profitability.

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

We obtain a significant portion of our revenues through the configuration of our search service as the default search provider during the download and installation of our publishers' products and/or use of their services of our search offering and the subsequent searches performed by the users thereof. To achieve these goals, we rely heavily on third-party publishers to distribute our search offering as a value-added component of their own offerings. We are therefore constantly looking for more ways to distribute our search offering through various channels, including through independent distribution efforts of our owned and operated products and services. There are other companies that generate revenue from searches, some of them may have other monetization solutions. The large search engine companies, including Google, Microsoft, Verizon Media and others, have become increasingly aggressive in their own search service offerings. In addition, we need to continually maintain the technological advantage of our platform, products and other services in order to attract publishers to our offering. If the search engine companies engage more direct relationships with publishers or we are unable to maintain the technological advantage to service our publishers, we may lose both existing and potential new publishers and our ability to generate revenues will be negatively impacted.

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

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

Market perception of our search solution has not always been favorable. Accordingly, we may experience difficulty expanding our search solution to new markets and extend our solution offerings in the event we suffer negative market perception of our search activity or any other solution we provide to our clients.

In certain periods, we have experienced an increasingly negative market bias regarding our search activity. The combination of these factors presents challenges in:

- recruiting and retaining highly qualified employees for our current business and new businesses we are developing; and
- attracting and acquiring new publishers to support and expand our business.

If we cannot maintain the commitment of our employees, recruit new employees and make the acquisitions required to enhance our organic activity, we may not be able to continue to develop and grow our search activity and our financial results will be negatively impacted.

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

Should the methods used for the distribution of our search solution, be blocked, constrained, limited, materially changed, based on a change of guidelines, technology or otherwise (as has happened in the past), or made redundant by any of our search engine providers, our ability to generate revenues from our users' search activity could be significantly reduced.

Agreements with search providers, such as our agreements with Microsoft, require compliance with certain guidelines promulgated by them for the use of the respective brands and services, including the manner in which paid listings are displayed within search results, and the establishment of guidelines to govern certain activities of third parties to whom the search services

are syndicated, including the manner in which those parties can acquire new users and drive search traffic . Subject to certain limitations, search partners may unilaterally update their policies and guidelines, which could, in turn, require modifications to, or prohibit and/or render obsolete certain of our search solutions, products, services and practices, which could be costly to address or otherwise have an adverse effect on our business, our financial condition and results of operations. Noncompliance with the search partners' guidelines, whether by us or by third parties to which we syndicate paid listings or by the publishers through whom we secure distribution arrangements could, if not cured, result in such companies' suspension of some or all of their services to us, or to the websites of our third party publishers, or the reimbursement of funds paid to us, or the imposition of additional restrictions on our ability to syndicate paid listings or distribute our search solution or the termination of the search distribution agreement by our search partners.

These guidelines, with respect to method of distribution, homepage resets and default search resets to search engine services, were changed by both Microsoft and Google numerous times in the past, having negative revenue implications. Since then, both companies have continued instituting other changes to the policies governing their relationship with search partners. Should any of our large partnerships be deemed non-compliant, blocked or partner with another provider, it could be difficult to replace the revenues generated by that partnership and we would experience a material reduction in our revenues and, in turn, our business, financial condition and results of operations would be adversely affected.

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

As we provide our services through the Internet, we are reliant on our ability to work with the different Internet browsers. The Internet browser market is extremely concentrated with Google's Chrome, Microsoft's Internet Explorer, Microsoft Edge and Mozilla's Firefox, accounting for over 88% of the desktop browser market in 2019, and Google's Chrome alone accounting for over 69%, based on StatCounter reports. In the past years, Internet browser providers such as Google and Microsoft made changes and updated their policies and technology in general, and specifically those relating to change of search settings. Each such change limits and constrains our ability to offer or change search properties. In addition, the desktop operating system market is very concentrated as well, with Microsoft Windows dominating over 77% of the market in 2019, and Apple operating systems accounting for 14% of that market, based on StatCounter reports. During 2015, Microsoft announced changes to its browser modifier detection criteria and issued a new operating system (Windows 10), which included a new default Internet browser (Edge). In addition, in June 2018 Google limited the ability to install Chrome browser extensions only from within the Chrome Web Store. Some of these changes limited our ability to maintain our users' browser settings. If Microsoft, Google, Apple or other companies that provide Internet browsers, operating systems or other platforms, effectively further restrict, discourage or otherwise hamper companies, like us, from offering or changing search services, this would continue to cause a material adverse effect on our revenue and our financial results.

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

Historically, the market related to desktop computers has accounted for substantial part of our search revenues. In recent years, there has been a trend towards shifting Internet usage from desktop computers to mobile devices such as mobile phones, tablets, etc. While in 2014 desktop worldwide market share was 71.03% it declined to 45.71% in 2017 and was later stabilized and increased to 47.74% in 2019, based on StatCounter reports; on the other hand, mobile worldwide market share in 2014 was 28.97% rising to 54.09% in 2017 and declining to 52.26% in 2019, based on StatCounter reports. If this trend towards using non-desktop devices accelerates and desktop usage will decline, our search offerings will become less relevant and may fail to attract publishers and web traffic. In addition, even if consumers do use our services, our revenue growth will still be adversely affected if we do not rapidly and successfully implement adequate revenue-generating models for mobile platforms to respond such decline in desktop.

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

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

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

We may incur losses as a result of unforeseen or catastrophic events, including the recent outbreak of the Coronavirus

The occurrence of unforeseen or catastrophic events such as terrorist attacks, extreme terrestrial or solar weather events or other natural disasters, emergence of a pandemic, or other widespread health emergencies (or concerns over the possibility of such an emergency), could create economic and financial disruptions, and could lead to operational difficulties that could impair our ability to manage our business. In particular, the current outbreak of novel coronavirus (2019-nCov) that was first reported from Wuhan, China, on December 31, 2019, presents concerns that may dramatically affect our ability to conduct our business effectively, including, but not limited to, our inability to attend certain industry-related conferences in the affected region. The trajectory of the coronavirus remains uncertain and it is becoming increasingly plausible, notwithstanding the travel restrictions and quarantines already imposed by China and other countries, that our business, including the livelihood of our employees and customers upon both of which our business relies, may be directly affected. At this stage, we are unable to asses the scope of the impact on our business and operations and in the event that the economic effect of the outbreak deepens and has a long term effect on the global economy, our business and operations may be adversely effected.

Risks related to our Financial and Corporate Structure

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

In December 2018, ClientConnect Ltd. entered into a new loan facility with Mizrahi Tefahot Bank Ltd., an Israeli bank, in the amount of $25 million which includes certain financial covenants In the event that we fail to comply with the terms or covenants of the loan facility and cannot obtain a waiver of noncompliance, we may face certain deteriorations in the terms of the loan facility and be required to immediately repay all of our outstanding indebtedness and the bank may be entitled to exercise the remedies available under the loan facility and applicable law. There is no assurance that our operating results will enable us to meet our covenants and financial ratios as of the end of each fiscal quarter. Our inability to comply with the repayment schedules, covenants or financial ratios under our loan facility could result in a material adverse effect on us.

For further information, see “Item 5. Operating and Financial Review and Prospects - Liquidity and Capital Resources - Credit facilities.”

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

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

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

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

We depend on the capabilities and experience, and the continued services, of our senior management. The loss of the services of members of our senior management could create a gap in management and could result in the loss of expertise necessary for us to execute our business strategy and thereby adversely affect our business. We do not currently have “key person” life insurance with respect to any of our senior management.

Further, our ability to execute our business strategy also depends on our ability to continue to attract, retain and motivate qualified and skilled technical and creative personnel and skilled management, marketing and sales personnel, as well as third party technology vendors. Competition for well-qualified employees in our industry is intense and our continued ability to compete effectively depends, in part, upon our ability to retain existing key employees and to attract new skilled employees as well. If we cannot attract and retain additional key employees or if we lose one or more of our current key employees, our ability

to develop or market our products and attract or acquire new users could be adversely affected. Although we have established programs to attract new employees and provide incentives to retain existing employees, particularly senior management, we cannot be assured that we will be able to retain the services of senior management or other key employees as we continue to integrate and develop our solutions or that we will be able to attract new employees in the future who are capable of making significant contributions. See "Item 6 Directors, Senior Management and Employees."

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

We acquired Make Me Reach in February 2015 and Undertone in November 2015, Captain Growth in March 2019 and Content IQ in January 2020, and we may continue to acquire complementary products, technologies or businesses. Seeking and negotiating potential acquisitions to a certain extent diverts our management's attention from other business concerns and is expensive and time-consuming. Acquisitions expose us and our business to unforeseen liabilities or risks associated with the business or assets acquired or with entering new markets. In addition, we lost and might continue to lose key employees and vendors while integrating new organizations and may not effectively integrate the acquired products, technologies or businesses or achieve the anticipated revenues or cost benefits, and we might harm our relationships with our future or current technology suppliers. Future acquisitions could result in customer dissatisfaction or vendor dissatisfaction or performance problems with an acquired product, technology or company. Paying the purchase price for acquisitions in the form of cash, debt or equity securities may weaken our cash position, increase our leverage or dilute our existing shareholders, as applicable. Furthermore, a substantial portion of the price paid for these acquisitions is typically for intangible assets. We may be required to pay additional funds for earn-outs based on achievement of milestones, or may incur contingent liabilities, amortization expenses related to intangible assets or possible impairment charges related to goodwill or other intangible assets (which has occurred in the past) or become subject to litigation or other unanticipated events or circumstances relating to the acquisitions, and we may not have, or may not be able to enforce, adequate remedies in order to protect our Company. Moreover, acquisitions may end up in losses, unwanted results and waste of valuable resources, time and money.

In past years, we have recognized impairments in the carrying value of goodwill and purchased intangible assets. Additional such charges in the future could negatively affect our results of operations and shareholders' equity.

We continue to have a substantial amount of goodwill and purchased intangible assets on our consolidated balance sheet as a result of historical acquisitions. The carrying value of goodwill represents the fair value of an acquired business in excess of identifiable assets and liabilities as of the acquisition date. The carrying value of intangible assets with identifiable useful lives represents the fair value of relationships, content, domain names and acquired technology, among other things, as of the acquisition date, and are amortized based on their economic lives. Goodwill that is expected to contribute indefinitely to our cash flows is not amortized but must be evaluated for impairment at least annually. If the carrying value exceeds current fair value as determined based on the discounted future cash flows of the related business, the goodwill or intangible asset is considered impaired and is reduced to fair value via a non-cash charge to earnings. Events and conditions that could result in impairment include adverse changes in the regulatory environment, a reduced market capitalization or other factors leading to reduction in expected long-term growth or profitability. Goodwill impairment analysis and measurement is a process that requires significant judgment. Our stock price and any control premium are factors affecting the assessment of the fair value of our underlying reporting units for purposes of performing any goodwill impairment assessment.

In 2017, we recorded an impairment charge in the total amount of approximately $85.7 million - see Item 5A "Operating and Financial Review and Prospects-Operating Results-Critical Accounting Policies and Estimates-Goodwill." We will continue to conduct impairment analyses of our goodwill as required. Further impairment charges with respect to our goodwill would have a material adverse effect on our results of operations and shareholders' equity in future periods.

Several shareholders may be able to control us.

As of March 9, 2020, we have several shareholders, that each beneficially holds more than 5% of our outstanding shares. See Item 7.A for more information. To our knowledge, these shareholders are not party to a voting agreement with respect to our shares. However, should they or any other shareholders decide to act together, they may have the power to control the outcome of matters submitted for the vote of shareholders. In addition, such share ownership may make certain transactions more difficult and result in delaying or preventing a change in control of the company, unless approved by them.

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

The market price for our ordinary shares, as well as the prices of shares of other Internet companies, has been volatile. Between January 2019 and March 2020, our share price has fluctuated from a high of $9.70 to a low of $2.51, and the daily average trading volume in that period was 241,307 (and for the period of January 1, 2019 and until December 31, 2019, was 184,867). The following factors may cause significant fluctuations in the market price of our ordinary shares:

- negative fluctuations in our quarterly revenues and earnings or those of our competitors;

- pending sales into the market due to the sale of large blocks of shares, due to, among other reasons, the expiration of any tax-related or contractual lock–ups with respect to significant amounts of our ordinary shares;
- shortfalls in our operating results compared to levels forecast by us or securities analysts;
- changes in our senior management;
- changes in regulations or in policies of search engine companies or other industry conditions;
- mergers and acquisitions by us or our competitors;
- technological innovations;
- the introduction of new products;
- the conditions of the securities markets, particularly in the Internet and Israeli sectors; and
- political, economic and other developments in Israel and worldwide.

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

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

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

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

As of March 9, 2020, there were outstanding an aggregate of 5,088,885 options to purchase our ordinary shares. As these securities vest, the holders thereof could sell the underlying shares without restrictions, except for the volume limitations under Rule 144 applicable to our affiliates.

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

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

A significant portion of our costs, primarily personnel expenses, are incurred in NIS. Inflation in Israel may have the effect of increasing the U.S. dollar cost of our operations in Israel. Further, since the U.S. dollar declined in value in relation to the NIS, it has become more expensive for us to fund our operations in Israel. A revaluation of one percent of the NIS as compared to the U.S. dollar could impact our income before taxes by approximately $0.2 million. The exchange rate of the U.S. dollar to the NIS has been volatile in the past, decreasing by approximately 10% in 2017, increasing by approximately 8% in 2018 and decreasing by approximately 8% in 2019. As of December 31, 2019, we had a foreign currency net liability of approximately $12.7 million (which number includes approximately $8.0 million in NIS denominated to the Right of Use liability relates to our offices in Israel), and our total foreign exchange loss was approximately $1.0 million for the year ended December 31, 2019. To assist us in assessing whether or not, and how to, hedge risks associated with fluctuations in currency exchange rates, we have contracted a consulting firm proficient in this area. We may incur losses from unfavorable fluctuations in foreign currency exchange rates.

We do not intend to pay cash dividends.

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

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

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

As an Israeli public company, traded on Nasdaq, we incur significant legal, accounting and other expenses. We incur costs associated with our public company reporting requirements as well as costs associated with corporate governance and public disclosure requirements, including requirements under the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the Listing Rules of the Nasdaq Stock Market, regulations of the SEC, the provisions of the Israeli Securities Law that apply to dual listed companies (companies that are listed on the Tel Aviv Stock Exchange Ltd. ("TASE") and another recognized stock exchange located outside of Israel) and the provisions of the Israeli Companies Law 5759-1999 (the "Companies Law") that apply to us. We have also contracted an internal auditor and a consultant for implementation of and compliance with the requirements under the Sarbanes-Oxley Act. Section 404 of the Sarbanes-Oxley Act requires an annual assessment by our management of our internal control over financial reporting of the effectiveness of these controls as of year-end. In connection with our efforts to comply with Section 404 and the other applicable provisions of the Sarbanes-Oxley Act, our management and other personnel devote a substantial amount of time, and we have hired, and may need to hire, additional accounting and financial staff to assure that we comply with these requirements. We are also required to have our independent registered public accounting firm issue an opinion on the effectiveness of our internal control over financial reporting on an annual basis. During the evaluation and testing process, if we identify one or more material weaknesses in our internal control over financial reporting, we will be unable to assert that our internal control over financial reporting is effective. If we are unable to assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an opinion on the effectiveness of our internal control over financial reporting, we could lose investor confidence in the accuracy and completeness of our financial reports, which could cause the price of our common stock to decline, and we may be subject to investigation or sanctions by the SEC. The additional management attention and costs relating to compliance with the foregoing requirements could adversely affect our financial results. See "Item 5 Operating and Financial Review and Prospects — Overview — General and Administrative Expenses" for a discussion of our increased expenses as a result of being a public company.

If we lose our foreign private issuer status under U.S. federal securities laws, we would incur additional expenses associated with compliance with the U.S. securities laws applicable to U.S. domestic issuers.

We are a foreign private issuer, as such term is defined under U.S. federal securities laws, and, therefore, we are not required to comply with all of the periodic disclosure and current reporting requirements applicable to U.S. domestic issuers. If we lost our foreign private issuer status, we would be required to comply with the reporting and other requirements applicable to U.S. domestic issuers, which are more extensive than the requirements for foreign private issuers and more expensive to comply with.

Our business could be negatively affected as a result of actions of activist shareholders, and such activism could impact the trading value of our securities.

In recent years, certain Israeli issuers listed on United States exchanges, as well as our Company, have been faced with governance-related demands from activist shareholders, as well as unsolicited tender offers and proxy contests. Although as a foreign private issuer we are not subject to U.S. proxy rules, responding to these types of actions by activist shareholders could be costly and time-consuming, disrupting our operations and diverting the attention of management and our employees. Such activities could interfere with our ability to execute our strategic plan. In addition, a proxy contest for the election of directors at our annual meeting would require us to incur significant legal fees and proxy solicitation expenses and require significant time and attention by management and our board of directors. The perceived uncertainties due to these potential actions of activist shareholders also could affect the market price and volatility of our securities.

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

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

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

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

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

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

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

We must meet the Global Select Market's continued listing requirements and comply with the other Nasdaq rules, or we may risk delisting. Delisting could negatively affect the price of our ordinary shares, which could make it more difficult for us to sell securities in a financing and for you to sell your ordinary shares.

We are required to meet the continued listing requirements of the Nasdaq Global Select and comply with the other Nasdaq rules, including those regarding minimum shareholders' equity, minimum share price and certain other corporate governance requirements. Delisting of our ordinary shares from the Nasdaq Global Select would cause us to pursue eligibility for trading on other markets or exchanges, or on the pink sheets. In such case, our shareholders' ability to trade, or obtain quotations of the market value of, our ordinary shares would be severely limited because of lower trading volumes and transaction delays. These factors could contribute to lower prices and larger spreads in the bid and ask prices for our securities. There can be no assurance that our ordinary shares, if delisted from the Nasdaq Global Select in the future, would be listed on a national securities exchange or quoted on a national quotation service, the OTCQB or OTC Pink. Delisting from the Nasdaq Global Select Market, or even the issuance of a notice of potential delisting, would also result in negative publicity, make it more difficult for us to raise additional capital, adversely affect the market liquidity of our ordinary shares, reduce security analysts' coverage of us and diminish investor, supplier and employee confidence. In addition, as a consequence of any such delisting, our share price could be negatively affected and our shareholders would likely find it more difficult to sell, or to obtain accurate quotations as to the prices of, our ordinary shares.

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

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

Risks related to our Technological Environment

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

Our business is constantly challenged and may be impacted by disruptions, including information technology attacks or failures. Cybersecurity attacks, in particular, are growing and evolving risk, and often are difficult or impossible to detect for long periods of time or to successfully defend against. Such attacks include, but are not limited to, malicious software, attempts to gain unauthorized access to data, and other electronic security breaches that could lead to disruptions in systems, unauthorized release of confidential or otherwise protected information and corruption of data and overloading our servers and systems with communications and data. Unidentified groups have hacked numerous Internet websites and servers, including our own, for various reasons, political, commercial and other. Given the unpredictability of the timing, nature and scope of such disruptions, we could potentially be subject to substantial system downtimes, operational delays, other detrimental impacts on our operations or ability to provide products and services to our customers, the compromising of confidential or otherwise protected information, destruction or corruption of data, security breaches, other manipulation or improper use of our systems and networks, financial losses from remedial actions, loss of business or potential liability, and/or damage to our reputation, any of which could have a material adverse effect on our cash flows, competitive position, financial condition and results of operations. Although these attacks cause certain difficulties, they have not had a material effect on our business, financial condition or results of operations. However, because techniques used to obtain unauthorized access or sabotage systems change frequently and generally are not identified until they are launched against a target, there can be no assurance that such attacks can be prevented or that any such incidents will not have a material adverse effect on us in the future. In addition, if we suffer a highly publicized security breach, even if our platform and solutions perform effectively, such a breach could cause us to suffer reputational harm, lose existing commercial relationships and customers or deter customers from purchasing additional solutions and prevent new customers from purchasing our solutions.

If we fail to detect or prevent suspicious traffic or other invalid traffic or engagement with our ads, or otherwise prevent against malware intrusions, we could lose the confidence of our advertisers, damage our reputation and be responsible to make-good or refund demands, which would cause our business to suffer.

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

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

A loss of the services of our technology vendors could adversely affect execution of our business strategy.

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

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

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

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

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

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

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

Our third-party Internet and telecommunication providers may experience disruptions, which would reduce our revenues and increase our costs. We own servers located in Israel, Europe and the United States and we also rent the services of approximately 750 servers located around the world, mainly through Amazon Web Services. Our servers include mainly web servers, application servers, data collection servers, data storage servers, data processing servers, mail servers and database servers. While we believe that there are many alternative providers of hosting and other communication services available to us, the costs associated with any transition to a new service provider could be substantial. Furthermore, although we maintain back-up systems for most aspects of our operations, we could still experience deterioration in performance or interruption in our systems, delays, and loss of critical data and registered users and revenues, in addition, the services of such providers could be vulnerable to damage or interruption from earthquakes, hurricanes, floods, fires, cyber security attacks, terrorist attacks, power losses, telecommunications failures and similar events. The occurrence of a natural disaster or an act of terrorism, a decision to close such providers facilities without adequate notice, or other unanticipated problems could result in lengthy interruptions to our services. The facilities of such providers also could be subject to break-ins, computer viruses, sabotage, intentional acts of vandalism and other misconduct.

Our systems are also not fully redundant and our disaster recovery planning may not be sufficient for all eventualities. In addition, we may have inadequate insurance coverage to compensate us for losses from a major interruption. Furthermore, interruptions in our website could materially impede our ability to attract new companies to advertise on our website and to maintain relationships with current advertisers. Difficulties of this kind could damage our reputation, be expensive to remedy and curtail our growth.

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

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

Risks related to Regulatory Changes

Regulatory, legislative, or self-regulatory developments relating to e-commerce, Internet advertising, privacy and data collection and protection, and uncertainties regarding the application or interpretation of existing laws and regulations,

could harm our business.

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

Many areas of the law affecting the Internet remain largely unsettled, even in areas where there has been some legislative action. This uncertainty can be compounded when services hosted in one jurisdiction are directed at users in another jurisdiction. For instance, European data protection rules may apply to companies which are not established in the European Union. The General Data Protection Regulation (which became effective in May 2018) presumably have an even wider territorial scope, broadened the definition of personal data to include location data and online identifiers, and imposes more stringent user consent requirements. Further, it includes stringent operational requirements for companies that process personal data and will contain significant penalties for non-compliance. Also in other relevant subject matters, such as cyber security, e-commerce, copyright and cookies, new European initiatives have been announced by the European regulators. To further complicate matters in Europe, to date, member States have some flexibility when implementing European Directives and certain aspects of the General Data Protection Regulation, which can lead to diverging national rules. Similarly, there have been laws and regulations adopted in Israel and throughout the United States (including the California Consumer Privacy Act (2018) which became effective on January 1, 2020) that may impose new obligations in areas such as privacy, in particular protection of personally identifiable information and implementing adequate security measures to protect such information, and liability for copyright infringement by third parties. Therefore, it is difficult to determine whether and how existing laws, such as those governing intellectual property, privacy, data collection and protection, libel, marketing, data security and taxation, apply to the Internet and our business.

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

In addition to compliance with government regulations, Undertone voluntarily participates in several trade associations and industry self-regulatory groups that promulgate best practices or codes of conduct relating to digital advertising, including the Internet Advertising Bureau, the Network Advertising Initiative and the Digital Advertising Alliance as well as us TAG Certified Against Fraud. We could be adversely affected by new or altered self-regulatory guidelines that are inconsistent with our current practices or in conflict with applicable laws and regulations in the United States, Europe, Israel and other regions where we do business. If we fail to abide by or are perceived as not operating in accordance with industry best practices or any industry guidelines or codes with regard to privacy or the provision of Internet advertising, our reputation may suffer and we could lose relationships with both buyers and sellers.

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

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

We collect, use, and maintain certain data about our customers (including, without limitation, customers' clients or users), partners, employees, leads and consumers. Such collection and maintenance of information is subject to data protection laws and regulations. A failure to comply with applicable regulations could result in class actions, governmental investigations and orders, administrative fines and criminal and civil liabilities, which could materially affect our operating results. Moreover, concerns about our collection, use, sharing or handling of such data or other privacy related matters, even if unfounded, could harm our reputation and operating results.

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

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

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

Following a US Supreme Court decision regarding the rights of individual states to tax out of state suppliers, certain states have adapted their statutes to expand taxation on out-of-state suppliers of goods and services. Some states are also pursuing legislative expansion of the scope of goods and services that are subject to sales and similar taxes as well as the circumstances in which a vendor of goods and services must collect such taxes. Furthermore, legislative proposals have been introduced in Congress that would provide states with additional authority to impose such taxes. Accordingly, it is possible that either federal or state legislative changes may require us to collect additional sales and similar taxes from our clients in the future which could impact our future sales, and therefore result in a material adverse effect on our revenue.

Certain countries in the European Union and elsewhere have recently adopted taxation on digital services including digital advertising, in various forms, such proposed taxes may have an impact on us.

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

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

Risks Related to our Intellectual Property

Our proprietary information and intellectual property may not be adequately protected and thus our technology may be unlawfully copied by or disclosed to other third parties.

We regard the protection of our proprietary information and technology and other intellectual property as critical to our success. We strive to protect our intellectual property rights by relying on contractual restrictions, trade secret law and other common law rights, as well as federal and international intellectual property registrations and the laws on which these registrations are based. However, the technology we use and incorporate into our offerings may not be adequately protected by these means.

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

In addition, there is no assurance that any existing or future patents or trademarks will afford adequate protection against competitors and similar technologies. Our intellectual property rights may be challenged, invalidated, or circumvented by others or invalidated through administrative process or litigation. Effective trademark and patent protections are expensive to develop

and maintain, as are the costs of defending our rights. Further, we cannot assure you that competitors will not infringe our patents or trademarks, or that we will have adequate resources to enforce our rights.

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

Given the competitive and technology-driven nature of the digital advertising industry, companies within our industry often design and use similar products and services, which may lead to claims of intellectual property infringement and potentially litigation. We have been, and in the future may be, the subject of claims that our solutions and underlying technology infringe or violate the intellectual property rights of others. Regardless of whether such claims have any merit, these claims are time-consuming and costly to evaluate and defend, and the outcome of any litigation is inherently uncertain. Our business may suffer if we are unable to resolve infringement or misappropriation claims without major financial expenditures or adverse consequences.

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

On December 22, 2015, Adtile Technologies Inc. filed a lawsuit against Perion and Undertone alleging, *inter alia*, that Undertone's UMotion advertising format, "hand phone" image, and use of the full tilt library infringes on its intellectual property. On February 3, 2016, Adtile Technologies Inc. filed a motion for preliminary injunction to, *inter alia,* prevent Undertone from creating or selling motion-activated advertisements. On June 23, 2016, the court denied Adtile's motion for a preliminary injunction. On June 24, 2016, the court (i) granted Perion's motion to dismiss and (ii) granted Undertone's motion to stay the action and compel arbitration. As of the date of this report, Adtile had not commenced an arbitration proceeding and the court dismissed the case for administrative reasons. We believe that we have strong defenses against this lawsuit and we intend to defend against it vigorously if the case is ever resubmitted. However, if we do not prevail in this case, we may incur monetary damages and/or be prohibited from using certain intellectual property.

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

We may become subject to claims for remuneration or royalties for assigned service invention rights by our employees, which could result in litigation and adversely affect our business.

A significant portion of our intellectual property has been developed by our employees in the course of their employment for us. Under the Israeli Patent Law, 5727-1967, or the Patent Law, inventions conceived by an employee in the course and as a result of or arising from his or her employment with a company are regarded as "service inventions," which belong to the employer, absent a specific agreement between the employee and employer giving the employee service invention rights. The Patent Law also provides that if there is no such agreement between an employer and an employee, the Israeli Compensation and Royalties Committee, or the Committee, a body constituted under the Patent Law, shall determine whether the employee is entitled to remuneration for his inventions. Case law clarifies that the right to receive consideration for "service inventions" can be waived by the employee and that in certain circumstances, such waiver does not necessarily have to be explicit. The Committee will examine, on a case-by-case basis, the general contractual framework between the parties, using interpretation rules of the general Israeli contract laws. Further, the Committee has not yet determined one specific formula for calculating this remuneration (but rather uses the criteria specified in the Patent Law). Although we generally enter into assignment-of-invention agreements with our employees pursuant to which such individuals assign to us all rights to any inventions created in the scope of their employment or engagement with us, we may face claims demanding remuneration in consideration for assigned inventions. As a consequence of such claims, we could be required to pay additional remuneration or royalties to our current and/or former employees, or be forced to litigate such claims, which could negatively affect our business.

We use certain "open source" software tools that may be subject to intellectual property infringement claims or that may subject our derivative works or products to unintended consequences, possibly impairing our product development plans,

interfering with our ability to support our clients or requiring us to allow access to the source code of our products or necessitating that we pay licensing fees.

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

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

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

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

Risks Related to the Geographical Location of our Operations

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

Our revenues have been concentrated within the North American market, accounting for approximately 75% of our revenues for 2019. A significant reduction in the revenues generated in such market, whether as a result of a recession that causes a reduction in advertising expenditures generally or otherwise, which causes a decrease in our North American revenues, could have a material adverse effect on our results of operations.

Our business may be materially affected by changes to fiscal and tax policies. Potentially negative or unexpected tax consequences of these policies, or the uncertainty surrounding their potential effects, could adversely affect our results of operations and share price.

We operate in a global market and are subject to tax in Israel and other jurisdictions. Our tax expenses may be affected by changes in tax laws, international tax treaties, international tax guidelines (such as the Base Erosion and Profit Shifting project of the OECD’s Inclusive Framework (“BEPS”)).

The OECD’s Inclusive Framework on BEPS has recently made certain recommendations, informally known as BEPS 2.0, which aim to modify international taxation norms with respect to allocation of taxing rights and introduction of minimum taxation, focusing mostly on the digital economy. Currently, there is uncertainty as to what modifications will be made in these recommendations and how they will be implemented.

Certain of these changes could have a negative impact on our results of operations and business. The impact of these changes is uncertain, and may not become evident for some period of time. The uncertainty surrounding the effect of the reforms on our financial results and business could also weaken confidence among investors in our financial condition. This could, in turn, have a materially adverse effect on the price of our ordinary shares. Prospective investors are urged to consult their tax advisors regarding the effect of these changes to the U.S. federal tax laws on an investment in our shares.

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

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

- potential loss of proprietary information due to piracy, misappropriation or laws that may be less protective of our intellectual property rights than those of the United States;
- costs and delays associated with translating and supporting our products in multiple languages;
- foreign exchange rate fluctuations and economic instability, such as higher interest rates and inflation, which could make our products more expensive in those countries;
- costs of compliance with a variety of laws and regulations;
- restrictive governmental actions such as trade restrictions and potential trade wars;
- limitations on the transfer and repatriation of funds and foreign currency exchange restrictions;
- compliance with different consumer and data protection laws and restrictions on pricing or discounts;
- lower levels of adoption or use of the Internet and other technologies vital to our business and the lack of appropriate infrastructure to support widespread Internet usage;
- lower levels of consumer spending on a per capita basis and fewer opportunities for growth in certain foreign market segments compared to the United States;
- lower levels of credit card usage and increased payment risk;
- changes in domestic and international tax regulations; and
- geopolitical events, including war and terrorism.

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

Our principal executive offices are located in Israel. In addition, a number of our officers and directors are residents of Israel. Accordingly, political, economic and military conditions in Israel and the surrounding region may directly affect our business and operations. Since the establishment of the State of Israel in 1948, a number of armed conflicts have taken place between Israel and its neighboring countries, as well as terrorist acts committed within Israel by hostile elements. Any hostilities involving Israel or the interruption or curtailment of trade between Israel and its trading partners could adversely affect our operations and results of operations. In December 2008 and January 2009 there was an escalation in violence among Israel, Hamas, the Palestinian Authority and other groups, as well as extensive hostilities along Israel’s border with the Gaza Strip, which resulted in missiles being fired from the Gaza Strip into Southern Israel. Similar hostilities accompanied by missiles being fired from the Gaza Strip into Southern Israel, as well at areas more centrally located near Tel Aviv and at areas surrounding Jerusalem, occurred during November 2012 and July through August 2014. These conflicts involved missile strikes against civilian targets in various parts of Israel, including areas in which our employees and some of our consultants are located, and negatively affected business conditions in Israel. Since April 2011, internal conflict in Syria has escalated, and chemical weapons have been used in the region. Foreign actors have and continue to intervene in Syria. This instability and any intervention may lead to deterioration of the political and economic relationships that exist between the State of Israel and some of the countries in the region, and may have the potential for additional conflicts in the region. In addition, Iran has threatened to attack Israel and may be developing nuclear weapons. Iran also has a strong influence among extremist groups in the region, including Hamas in Gaza, Hezbollah in Lebanon and various rebel militia groups in Syria. Furthermore, in early January 2020, certain events contributed to an increase in hostilities between the United States and Iran, and as a result Iran issued multiple public statements threatening to attack Israel and the United States. These situations have escalated at various points in recent years and may escalate in the future to more violent events, which may affect Israel and us. Any armed conflicts, terrorist activities or political instability in the region could adversely affect business conditions and could harm our results of operations and could make it more difficult for us to raise capital. Parties with whom we do business have sometimes declined to travel to Israel during periods of heightened unrest or tension, forcing us to make alternative arrangements when necessary in order to meet our business partners face to face. In addition, the political and security situation in Israel may result in parties with whom we have

agreements involving performance in Israel claiming that they are not obligated to perform their commitments under those agreements pursuant to force majeure provisions in such agreements.

Our commercial insurance does not cover losses that may occur as a result of events associated with the security situation in the Middle East. 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 that it will sufficiently cover our potential damages. Any losses or damages incurred by us could have a material adverse effect on our business. Any armed conflicts or political instability in the region would likely negatively affect business conditions and could harm our results of operations.

Further, in the past, the State of Israel and Israeli companies have been subjected to economic boycotts. Several countries still restrict business with the State of Israel and with Israeli companies. These restrictive laws and policies may have an adverse impact on our operating results, financial condition or the expansion of our business. A campaign of boycotts, divestment and sanctions has been undertaken against Israel, which could also adversely impact our business.

In addition, many Israeli citizens are obligated to perform several days, and in some cases more, of annual military reserve duty each year until they reach the age of 40 (or older, for reservists who are military officers or who have certain occupations) and, in the event of a military conflict, may be called to active duty. In response to increases in terrorist activity, there have been periods of significant call-ups of military reservists. It is possible that there will be military reserve duty call-ups in the future. Our operations could be disrupted by such call-ups, which may include the call-up of members of our management. Such disruption could materially adversely affect our business, prospects, financial condition and results of operations.

On Israel's domestic front there is currently a level of unprecedented political instability. The Israeli government has been in a transitionary phase since December of 2018, when the Israeli Parliament, or the Knesset, first resolved to dissolve itself and call for new general elections. In 2019, Israel held general elections twice – in April and September – and a third general election was held in March of 2020. The Knesset, for reasons related to this extended political transition, has failed to pass a budget for the year 2020, and certain government ministries, which may be critical to the operation of our business, are without necessary resources and may not receive sufficient funding moving forward. Given the likelihood that the current political stalemate might not be resolved during the next calendar year, our ability to conduct our business effectively may be adversely affected.

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

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

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

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

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

- subject to limited exceptions, the judgment is final and non-appealable;
- the judgment was given by a court competent under the laws of the state of the court and is otherwise enforceable in such state;
- the judgment was rendered by a court competent under the rules of private international law applicable in Israel;
- the laws of the state in which the judgment was given provide for the enforcement of judgments of Israeli courts;
- adequate service of process has been effected and the defendant has had a reasonable opportunity to present his arguments and evidence;

- the judgment and its enforcement are not contrary to the law, public policy, security or sovereignty of the State of Israel;
- the judgment was not obtained by fraud and does not conflict with any other valid judgment in the same matter between the same parties; and
- an action between the same parties in the same matter was not pending in any Israeli court at the time the lawsuit was instituted in the U.S. court.

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

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

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

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

Additional details are provided in “Item 5 – Operating and Financial Review and Products” under the caption “Taxes on income,” in “Item 10 – Additional Information” under the caption “Israeli taxation, foreign exchange regulation and investment programs” and in Note 15 to our Financial Statements.

Non-U.S. corporations generally may be characterized as a passive foreign investment company (“PFIC”) for any taxable year, if, after applying certain look through rules, either (1) 75% or more of such company’s gross income is passive income, or (2) at least 50% of the average percentage, generally determined by fair value of all such company’s assets (determined on a quarterly basis) are held for the production of, or produce, passive income. For this purpose, passive income includes, for example, dividends, interest, certain rents and royalties, and gain from the disposition of property that produces such income.

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

We do not believe that we were a PFIC for our prior taxable year and we intend to conduct our business so that we should not be treated as a PFIC for our current taxable year or any future taxable year. However, because the PFIC determination is highly fact intensive and made at the end of each taxable year, it is possible that we may be a PFIC for the current or any future taxable year or that the IRS may challenge our determination concerning our PFIC status. Whether we are a PFIC is based upon certain factual matters such as the valuation of our assets. In calculating the value of our assets, we value our total assets, in part, based on our total market capitalization. We believe this valuation approach is reasonable. However, if the IRS successfully challenged our valuation of our assets, or if the market price of our ordinary shares were to fluctuate, it could result in our classification as a PFIC. Because the market price of our ordinary shares is likely to fluctuate and because that market price may affect the determination of whether we will be considered a PFIC, we cannot give any assurances that we will not be considered a PFIC for any future taxable year.

See a discussion of our PFIC status in Item 10.E under “U.S. Federal Income Tax Considerations – Passive Foreign Investment Company Considerations.”

ITEM 4. INFORMATION ON THE COMPANY

A. HISTORY AND DEVELOPMENT OF THE COMPANY

Our History

We were incorporated in the State of Israel in November 1999 under the name Verticon Ltd., changed our name to IncrediMail Ltd. in November 2000 and in November 2011 changed our name to Perion Network Ltd. We operate under the laws of the State of Israel. Our headquarters are located at 26 HaRokmim Street, Holon 5885849, Israel. Our phone number is 972-73-398-1000. Our website address is www.perion.com. The information on our website does not constitute a part of this annual report. Our agent for service in the United States is Intercept Interactive Inc. d/b/a Undertone, which is located at One World Trade Center, 77th Floor, Suite A, New York, NY 10007.

We completed the initial public offering of our ordinary shares in the United States on February 3, 2006. Since November 20, 2007, our ordinary shares are also traded on the TASE.

In the recent years, we completed several acquisitions, including the acquisition of ClientConnect Ltd. in 2014, the acquisition of Interactive Holding Corp. in 2015, which we refer to, together with its subsidiaries, as “Undertone,” the acquisition of Septa Communications LLC, also known as “Captain Growth”, in March 2019 and the acquisition of Content IQ LLC in January 2020.

Our SEC filings are available to you on the SEC’s website at http://www.sec.gov. This site contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The information on that website is not part of this annual report and is not incorporated by reference herein.

Principal Capital Expenditures

In 2017, 2018 and 2019, capital expenditures consisted of $1.6 million, $2.0 million and $1.2 million, respectively, mainly from investments in computer hardware and software.

To date, we have financed our general capital expenditures with cash generated from operations and debt. To the extent we acquire new products and businesses, these acquisitions may be financed by any of, or a combination of, cash generated from operations, or issuances of equity.

B. BUSINESS OVERVIEW

General

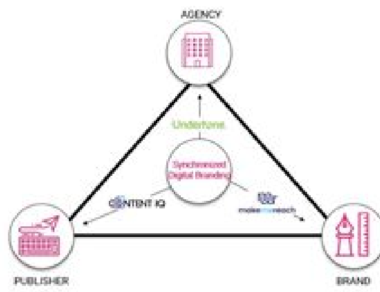
Perion is a global technology company that is bringing innovation to the ad-tech market by providing agencies, brands and publishers with advanced solutions that enable them to establish deeper, more meaningful and profitable relationships with their consumers and users. Perion created an AI-based advertising solution that aligns with the consumers’ journey in multiple touchpoints across funnels/platforms/channels. Perion is poised to benefit from macro trends, as the dominance of the triopoly – with Google, Facebook and Amazon controlling 85% percent of ad spend – means that brands, advertisers and publishers are seeking friendlier and more flexible options that respect their brands, users, and need for monetization.

Perion’s solutions cover the three main pillars of digital advertising, positioning us to benefit from rapid shifts in media strategy, spending and allocation by offering our data-driven, Synchronized Digital Branding platform and high-impact ad display formats; our powerful advertising cloud platform and our branded search network. In addition, each of these pillars is being enhanced by Content IQ, a company we acquired in January 2020. Content IQ brings advanced personalization benefits to brands and advertisers by customizing content at the landing page level; this platform is equally meaningful to publishers who need to generate and monetize increased traffic.

Because search is one of our pillars, and as part of our deep partnership with Microsoft Bing, we launched, in early 2020, Privado – a private search engine, enabling us to capitalize on the growing consumer trend for online privacy; more than 70% of consumers are privacy conscious based on recent research.

Overview: Advertising

Our advertising solution is driven by our Synchronized Digital Branding platform which sits at the center of our strategic triangle as illustrated below.



Our ability to solve the ad-tech fragmentation is gaining traction in three parallel vectors: Undertone is delivering synchronization to *Agencies*; MakeMeReach, our Advertising Cloud Platform, is delivering it to *Brands*; and Content IQ is bringing it home to *Publishers*.

Undertone:

Over its 18-year history, Undertone has provided cutting-edge technology and multichannel, multiplatform solutions for some of the world's leading brands, agencies and publishers - with whom we have longstanding and meaningful relationships.

Undertone is also known for our high-impact, brand-building ad and video units, which are capable of breaking through the clutter, as well as building and enhancing reputations. By combining data, distribution and creative, we are able to deliver cohesive stories across all critical touchpoints: screens, platforms and a transparent, customizable list of elite publishers.

Our AI-driven cloud platform, which powers our strategic triangle, delivers advertising solutions that eliminate fragmentation, assist publishers in generating much-needed revenue and, most importantly, ensure that brand messaging is synchronized for contextual relevance with the right message and optimized ad spend.

Our customers receive dedicated support throughout the full campaign cycle, including planning, creative services, client solutions, performance and insights. We do all this while maintaining brand safety and applying quality standard as our customer demanding.

Advertising Cloud Platform:

This platform is specifically suited for brands and agencies, small and large, who need to accomplish three critical and related objectives:

• Attract audiences on diverse channels, such as Facebook, Instagram, Google, Amazon, LinkedIn, Snapchat, Pinterest and Twitter;

• Distribute the execution of these campaigns across a range of stakeholders, including agencies, franchises and branches; and

• Measure results in one unified, actionable and intuitive dashboard that is made possible by our AI capabilities and simplified nature of our user experience.

We accomplish all this, and generate peak performance, while protecting brand equity from being adversely impacted by multiple contributors to campaign execution along the value chain.

Content IQ:

We acquired Content IQ in January 2020 as we saw the opportunity to complement their capabilities with our strategic advertising triangle solution. They bring significant value to publishers whose revenues are being squeezed by the triopoly, and who lack the ability to customize their landing pages in a way that "synchronizes" their content with ever-changing user states, needs and intents.

Content IQ operates in the digital publishing space, utilizing data and analytic tools to deconstruct content, revenue and distribution in order to solve digital publishing challenges and drive traffic to owned and operated properties as well as those of our network of publishers. These tools understand and dynamically react to the performance of digital content across millions of engagement moments and optimize every element along the way, at scale. Content IQ's page-level engagement solutions offer innovative tools for extracting value from content, enabling publishers and brands to monetize their properties through real-time optimization.

CodeFuel:

CodeFuel is a search platform that competes in an estimated market of $64 billion search ad spending category for 2020 according to eMarketer reports, which represents 42% of all digital ad spending. Microsoft Bing has been our partner for a decade; according to Microsoft, they have 556 million unique global PC users, deliver 140 billion annual searchers; generates $7.6 billion in revenue in the 2019 fiscal year and has garnered an 11.3% worldwide PC market share. CodeFuel, through its publisher network, delivered 12 million daily searches in 2019 compared to 9 million daily searches in 2018, which represents an increase of 33% YOY.

CodeFuel's search based monetization solutions are leveraged by enhanced analytics platform and capabilities to track and monitor business performance.

Publishers integrate our solutions into their products and services such as content websites, browser extensions and mobile launcher applications and monetize their solutions at scale across their digital properties, by delivering Microsoft Bing's high quality search results to validated traffic, thus satisfying and engaging users. End users can configure their browser settings through the search setting dialogue providing them convenient access to search-engine providers and the ability to conduct searches or follow links to relevant advertisements.

The revenue generated depends on factors such as the quality of users conducting search queries, rates search providers are charging for advertisements; the ability of the search provider's system to attract advertisers and efficiently serve sponsored ads, the engagement of end users with the advertisements and the value of the algorithmic results provided in response to search queries.

In addition, we continue to generate a small portion of our revenues through our consumer product - Smilebox, a product that enables people to tell the stories of their lives - big and small - in fun, simple and creative ways with fully customizable eCards, slideshows, invitations, collages and more.

Industry Overview: Advertising

Our search, advertising and content solutions - which are largely driven by the integration of AI-based ad-tech, video, display, search, and social ad units - address the majority of digital ad spend.

Based on eMarketer reports, digital advertising spend accounted for approximately 50% of total worldwide media advertising during 2019, reaching $330 billion and expected to increase to $500 billion and approximately 60% of worldwide advertising spend by 2023. In 2019, US display advertising spend, including banners, rich media, video and social, was approximately $105 billion and expected to increase by 36% and reach $143 billion in 2021, according to eMarketer.

We believe the continued growth of digital ad spend will, in part, be driven by the convergence of television advertising and digital mediums, including instream and outstream digital video and internet-connected TV. Furthermore, cross-channel technologies such as automatic content recognition (ACR), which allows advertisers to connect brand messaging across television and digital channels, will further enable the convergence of ad spend. Our proprietary Synchronized Digital Branding platform positions us in the sweet spot of these trends.

Advertisers, including major brands, are increasingly allocating media advertising budgets to digital channels and formats. While we work with some advertisers directly, our primary customers are advertising and media agencies, who are engaged by brand advertisers to develop and implement their media plans. We work with both sides of the market to plan, design, deliver, manage, and measure their digital advertising investments. We generally do not enter into long term contracts with our advertising customers, but respond to requests for specific campaigns, and are compensated based on ad formats, campaign complexity, impressions, and creative requirements.

Undertone addresses the display advertising market through direct and programmatic media sales as well as managed and self-service advertising campaign management tools. Programmatic customers benefit from increased automation, transparency and resulting efficiency. Clients receive support throughout the campaign cycle, which starts with a consultative sales process to shape the best offering for that customer.

Beyond ad-tech automation, advertisers are also increasingly looking for unique ad formats that are able to tell impactful stories on digital, by utilizing content, rich media, and digital video. We believe the shift beyond standard banner ad formats is unstoppable. Rich media, including our high-impact ad formats, as well as outstream and instream video accounted for $39.84 billion of US digital display ad spend in 2019 and is expected to increase by 65%, reaching $65.6 billion in 2023, according to eMarketer. Digital video, including instream formats such as “pre-roll” and outstream formats such as “inline” represented the vast majority of rich media ad spend in 2019, topping $34.57 billion, and is expected to reach $59.45 billion by 2023, representing an increase of 72%, according to eMarketer. Additionally, US spending on digital sponsorships, which include branded content pages and full-page sponsorships, will reach over $3 billion in 2020, according to eMarketer.

Social networks are expected to continue to be a major platform for digital advertising, and with a lot of innovation in the sector, advertisers will look for emerging platforms to reach existing and new audiences. According to eMarketer, in 2019, social networks accounted for $36.14 billion representing 28% of the US digital ad spending, which is expected to increase by 41% and reach $50.86 billion of US digital ad spending by 2021,which would represent 29.6% of the US digital ad spending.

Users are devoting more and more time to social networks, estimated to reach more than 55.3 minutes per day on social networks in 2021 in the US, representing 13.3% of time spent on digital media in 2021. Furthermore, emerging and new social networks, such as Instagram, Snapchat and TikTok, are further expanding the audiences and demographic reach of social networks.

It is estimated that 86.5% of digital display ads will be transacted through programmatic channels by 2021, including programmatic direct and real time bidding (RTB) campaigns, according to eMarketer. Driven by this trend, we invested and continue to make significant investments in AI-based technologies, which optimize both the price and performance of our digital advertising campaigns, including our acquisition of Captain Growth, which automates campaign performance with the capability of testing multiple ads and campaigns in real time.

In light of recent regulatory developments, including GDPR and CCPA, as well as existing and planned limitations to be enacted by major web browser publishers, including Google, Apple, and Mozilla, we expect advertisers to increasingly seek alternatives to third-party “cookie”-based targeting. We are focusing investments and R&D on opportunities in alternative targeting technologies. These include:

- Development of audience and content targeting;
- Leveraging first-party data from social networks via integrations with Facebook and other major social networks,
- Content IQ’s ability to create page level engagement without the new privacy parameters;
- Undertone’s contextual targeting;
- CodeFuel’s search and intent-based targeting through our partnership with Microsoft Bing.

<u>Search</u>

In 2019, US search advertising spend reached $55.17 billion and expected to increase by 56% reaching $73 billion in 2021, representing 42.5% of US digital ad spending, according to eMarketer.

Search is the most intent-based form of advertising, as advertisements are served in direct response to the search queries, resulting in relevant advertisements yielding significant revenue to the search engine companies. Our search-related products address the market by engaging with premium search providers like Microsoft, and offers end users the ability to search the Internet via easily embedded search functionality in different search assets.

The search engine market is highly competitive as providers such as Google, Microsoft, Verizon Media and other smaller players, seek to gain more market share. We believe such competition will increase utilization of our search solution, which enables search providers to increase their market share.

The factors that drive the ability of our search engine partners to increase their revenue per search, include the availability of search advertising inventory relative to demand, as well as internal pricing dynamics. As search market continues to grow and we continue to expand our search solution, the revenue earned by us and our partners is expected to grow as well.

Growth Strategy

High level growth plan

Our strategy is to grow our business by offering advertising, search, awareness and performance solutions to the world's leading brands, agencies and publishers. These solutions will make each component of the funnel – awareness, consideration, intent and purchase – operate more effectively.

We will achieve this by offering compelling data-driven, digital advertising solutions and search monetization through holistic customer experiences and innovative platforms that cover the three main pillars of digital advertising - ad search, social media and display / video advertising.

Growth through innovation

Innovation, driven by the introduction of new technologies, tools, services and offerings, will address one of our key priorities, which is to make our revenue models more predictable, sustainable and resilient. We are expanding our product portfolio to provide added value to our clients without adding silos and overhead, while always maintaining efficiency across our different business units. To accelerate this process, we completed several acquisitions, including the most recent acquisitions of Septa Communication LLC in March 2019 (known as "Captain Growth") and the acquisition of Content IQ LLC in January 2020, to allow us to expand our capabilities and maximize our existing businesses.

We are able to execute on our growth strategy objectives through the following elements:

Our advertising offering targets brands that are focused on their relationship with consumers. They recognize that their reputation and ability to compete are determined by meaningful connections that are sequentially delivered by relevant, high-quality creative, across all platforms in brand-safe environments. Our Synchronized Digital Branding platform is differentiated by our award-winning ad units that deliver impactful and engaging messages, based on data-driven capabilities that reach consumers at the right time, with the right messages across all screens and platforms, through a transparent and customizable list of elite publishers through both direct and programmatic channels as we expect that spending on programmatic ad buying will continue to grow as both advertisers and publishers continue to adopt programmatic advertising.

Growth through high-speed opportunities

Our growth strategy also contemplates the migration to 5G networks and the growing access to high-speed Internet. Video content that takes advantage of faster delivery, as well as the growth of connected TVs, is something we are investing in so we will be able to take advantage of upgraded user experiences.

We also intend to continue to invest in technology, partnerships and sales that offer our advertising clients enhanced features and functionalities to reach their consumers, including through the utilization of analytic tools such as ACR (Automated Content Recognition) TV viewership data.

Growth Through the Content Publisher Side

Through our content publisher solution, provided through the recently acquired Content IQ, we provide advertisers the ability to serve advertisements which are relevant to the end-user's interests, beside relevant optimized content and page-level reader engagement. We connect our Synchronized Digital Branding platform to a digital publishing optimization platform, using proprietary data algorithms and analytic tools that dynamically link publisher content and audience interest to maximize return on ad spend.

Growth Through Search

Our search solution, operated through CodeFuel, leverages our relationship with Microsoft Bing to drive innovation and revenue based on AI and analytic tools as part of our ongoing effort to provide comprehensive and compelling search solutions and monetization tools to diversified publishers around the globe. We do this through a variety of digital properties, including websites, apps, extensions, and search engines.

In addition, to strategically diversify our revenue sources and extend our products suite and partners we are embedding our search functionality in our new products, thus increasing our monetization potential; for example, we are introducing new products such as Privado - our privacy-enabled search engine - that get distributed through a variety of partners including not just our traditional publishers, but also brand and enterprise opportunities.

Growth Through Pricing

We are offering and exploring new pricing models such as Software as a Services (“**SaaS**”) and other models in order to execute on our strategy to have a more predictable and sustainable revenue streams. We are productizing our technology to enable agencies and other customers to directly offer their consumers and brands with our platforms’ capabilities through SaaS based plans.

Technology

The Design principles of our technologies and research and development efforts consist of the following elements:

- Supply and publisher integration;
- Innovative Creative;
- Demand generation (direct and indirect);
- Data and Analytics;
- AI and optimization; and
- Executional channels (Programmatic and Direct).

Advertising Solutions

The technology backbone behind our advertising solutions is designed to connect brands with consumers via meaningful digital interactions and experiences. This is done through 9 key components:

- Supply Management Platform;
- Demand Management Platform;
- Analytics Platform
- High Impact Programmatic Market Place;
- Creative Platform;
- Data Management Platform;
- Data Lake Platform;
- AI Platform; and
- Advertising Cloud platform.

Supply Management Platform

The Supply management platform operationalizes relationships with our publishers by treating every impression in an optimal manner, and according to the business requirements and monetary expectations that derive from which ads are allowed, what prices are expected, and what is the allowable frequency. All components in our supply management platform are based on proprietary technology and are based on our specific needs and use cases.

Demand Management

The demand management platform addresses the needs of advertisers for campaign planning and design with a system that delivers a recommendation that will hit the goals of the advertisers. It will recommend advertising channels, audience targeting strategy and ad product mix which are all based on benchmarks and past experiences of the advertiser. Once the plan is created, the platform pushes instructions to the campaign management system for execution, based on parameters like dates, volume level, list of supply sources and campaign goal.

Analytics Platform

Our Analytics platform provides information and performance insights on the results of campaign investment and other campaign metrics - demonstrating the value of our solutions for our customers. This is a flexible system that reports all the required data based on reach and impressions delivered, budget invested engagement metrics, etc. The analytics platform supports our data driven culture – providing business stakeholders full visibility of KPI’s on key processes while facilitating data and reporting in a self-service manner, with pre-build dashboards and reports.

High Impact Programmatic Marketplace

Our High Impact Programmatic Marketplace is a platform that allows our advertisers to buy from us in an automated fashion. This marketplace is built on the standard programmatic infrastructure so advertisers have the flexibility of using different systems and platforms to buy from us. Our advertisers maintain full control and have transparency into our inventory, bidding in real time to purchase available supply.

Creative Rich Media Platform

The creative platform is a key component of our Synchronized Advertising Branding solution and allows us to innovate quickly on end user experiences. Our full-blown rich media platform leverages our proprietary ad units, and is tailored to the needs of our advertisers, providing them with a comprehensive solution to create compelling, engaging, dynamic, cross-platform and high-impact advertisements.

Data Management Platform

Our data management platform (DMP) is at the heart of our Synchronized Digital Branding platform. Its main functionality is to manage available data on a user level, what messages an individual user was exposed to, how that user responded, what third party information can make that data richer, and so on. The DMP is connected to all key systems to inform campaign planning, delivery, optimization, creative optimization and analytics. In addition to user level data, the DMP manages various data assets and the data is collected at scale with well-defined schemas. Data assets managed in the DMP are used to support data driven objectives and services like analytic and AI processes.

AI platform

Our AI platform uses machine learning to bring deep intelligence to the various phases of campaigns: planning, activation and reporting which utilize models built on top of our data platforms. Based on campaign-to-campaign learnings and heuristics, the platform generates better performance for our customers and improved efficiency by providing rules-based and budget optimizations.

Advertising cloud platform

The advertising cloud platform supports the various phases of campaign management across different channels. The platform manages each of the planning, execution, optimization and measurement phases and simplifies complexity of cross channel advertising for brands and agencies while optimizing performance through AI.

Content Management Platform

Our content publisher platform, was acquired with our purchase of ContentIQ; the tech is composed of the following systems that can power both Content IQ owned and operated websites, and those of third-party publishers

- Content management platform;
- Content web sites management system;
- Content monetization system; and
- Distribution system.

Content Management Platform

The content management platform supports the process of planning, creation, testing and measurement of content articles. The platform provides tools for content creators to structure their content in a variety of formats to optimize performance for unique audience segments. Once content articles are deployed, the management backend serves the content at scale and with the supporting analysis tools that enable continuous optimization at scale.

Content Web Site Management System

The content web site management system supports the process of website creation, testing, optimization and analysis. The platform provides tools for publishers to build dynamic sites driven by a powerful configuration system, which can be optimized to deliver elastic content in a dynamic page layout. The content articles are sourced from the content management system and served at scale.

Content Monetization System

The content monetization system provides publishers the tools to maximize ad revenues from reader sessions. The system integrates ads within the content layouts, at the page level, maintaining a user-friendly experience while driving monetization from a variety of programmatic sources. This system is powered by a highly customized header bidding technology which controls ad delivery with optimal viewability measures.

Distribution System

The distribution system provides publishers with AI-powered tools to distribute content articles to optimized audience segments, at scale, on a variety of platforms. Its campaign management components automatically manage, through machine learning capabilities, thousands of campaigns - adjusting the bids and budgets in real time. The distribution system optimizes campaigns based on revenue attribution technology which ties the content management, content web sites and content monetization systems together, In order to optimize margins and revenues.

Search Solution:

The technology of our search solution is composed of the following systems:

- Publishers management system;
- Search demand management system;
- Monetization products;
- AI system; and
- Privado – a privacy-focused search engine

Publisher Management System:
The publisher management system provides publishers access to an online dashboard providing them analytics and performance optimization tools, as well as reports that enable them to maximize their distribution and monetization.

Search Demand Management System:
The search demand management system integrates and onboards demand vendors to our monetization products. The integration supports multiple vendors according to predefined configurations and rules, enabling various business models and offerings.

Monetization Products
Our monetization products are designed to deliver algorithmic search results concurrently with sponsored listings which are served for the same search queries. They can be operationalized in different ways, including the transmission of search queries to search engines such as Bing; search Feed APIs operated on the publisher's domain and an enriched and optimized hosted search results page which offers an enhanced user experience.

AI System
The AI technology behind our search solutions optimizes the various phases of the funnel including intent detection and demand optimization to yield performance optimization and maximized consumer experience.

Privado - a privacy-enabled search engine
Privado delivers private search results, leverages proprietary technology, to let users freely search online without being tracked. Privado does not store personal user data, and all search terms are encrypted so that they are not visible in the browser's history.

Products under Development

Innovation is a core driver of our culture and operations and essential for our growth and hence we invest substantial resources in research and development to develop new solutions, offerings, applications and services, improve our core technologies and enhance our technology facilities and infrastructure and capabilities. Our research and development activities are primarily conducted internally in Israel and Europe, focusing on the development of new services, platforms and SaaS based solutions that will offer our customers (i) standout brand experience (ii) effective distribution tools, (iii) increased monetization capabilities through content features and applications, and (iv) enhanced optimization via powerful and reliable data analytics driven by AI. Additionally, we focus our research and development efforts on developing new products and improving existing products through software updates and upgraded features. Our research and development department is divided into groups based on scientific disciplines and types of applications and products.

Breakdown of Revenues

Our search monetization solutions, advertising and other, are distributed and sold throughout the world (mainly in North America and Europe). The following table shows the revenues, presented in our statement of operations, generated by territory in the years ended December 31, 2017, 2018 and 2019.

	2017		2018		2019	
	Search and other Revenues	Advertising Revenues	Search and other Revenues	Advertising Revenues	Search and other Revenues	Advertising Revenues
North America	70%	86%	65%	91%	67%	91%
Europe	24%	11%	29%	8%	25%	9%
Other	6%	3%	6%	1%	8%	0%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Intellectual Property

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

Part of the components of our software products were developed solely by us. We have licensed certain components of our software from third parties. We believe that the components we have licensed are not material to the overall performance of our software and may be replaced without significant difficulty.

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

All employees and consultants are required to execute confidentiality covenants in connection with their employment and consulting relationships with us. These agreements (excluding those with our former German and U.K. employees) also contain assignment and waiver provisions relating to the employee’s or consultant’s rights in respect of inventions.

Competition

The markets in which we are active are subject to intense competition.

We compete with many other companies offering solutions for online publishers and developers, including search services and other software in conjunction with changing a user's default search settings.

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

As a major part of our revenues stem from our offering of search properties, we compete with search engine providers themselves such as Google, Microsoft, Verizon Media, IAC and others. We also compete with many other companies offering consumer software, albeit totally different software, utilizing the same strategy, to offer their search properties, such as Interactive Corporation, Oath, System1 and others.

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

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

Government Regulation

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

For example, we are subject to U.S. federal and state laws regarding copyright infringement, privacy and protection of user data, many of which are subject to regulation by the Federal Trade Commission. These laws include the Digital Millennium Copyright Act, which aims to reduce the liability of online service providers for listing or linking to third-party websites that include materials that infringe copyrights or the rights of others, and other federal laws that restrict online service providers' collection of user information on minors as well as distribution of materials deemed harmful to minors. The California Consumer Privacy Act (2018) became effective on January 1, 2020 and may affect us. Many U.S. states, such as California, are adopting statutes that require online service providers to report certain security breaches of personal data and to report to consumers when personal data will be disclosed to direct marketers. There are also a number of legislative proposals pending before the U.S. Congress and various state legislative bodies concerning data protection which could affect us. The interpretation of data protection laws, and their application to the Internet, is unclear and in a state of flux. There is a risk that these laws may be interpreted and applied in conflicting ways and in a manner that is not consistent with our current data protection practices.

Foreign data protection, privacy and other laws and regulations may affect our business, and such laws can be more restrictive than those in the United States. For example, in Israel, privacy laws require that any request for personal information for use or retention in a database, be accompanied by a notice that indicates: whether a person is legally required to disclose such information or that such disclosure is made at such person's free will and consent; the purpose for which the information is requested; and to whom the information is to be delivered and for which purposes. A breach of privacy under such laws is considered a civil wrong and subject to administrative fines as well as civil damages. Certain violations of the law are considered criminal offences punishable by imprisonment. In the European Union, similar data protection rules exist as well was privacy

legislation restricting the use of cookies and similar technologies. Subject to some limited exceptions, the storing of information, or the gaining of access to information already stored, in the terminal equipment of a subscriber or user is only allowed on condition that the subscriber or user concerned has given his or her informed consent. Moreover, the General Data Protection Regulation (which became effective in May 2018) presumably have an even wider territorial scope, broadened the definition of personal data to include location data and online identifiers, and imposes more stringent user consent requirements. Further, it includes stringent operational requirements for companies that process personal data and will contain significant penalties for non-compliance. Also in other relevant subject matters, such as cyber security, e-commerce, copyright and cookies, new European initiatives have been announced by the European regulators. To further complicate matters in Europe, to date, member States have some flexibility when implementing European Directives and certain aspects of the General Data Protection Regulation, which can lead to diverging national rules.

Because our services are accessible worldwide, certain foreign jurisdictions may claim that we are required to comply with their laws, including in jurisdictions where we have no local entity, employees or infrastructure.

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

C. ORGANIZATIONAL STRUCTURE

Our subsidiaries and the countries of their incorporation are as follows:

- Content IQ LLC, our wholly-owned New York subsidiary, was acquired in January 2020, owns all of the membership interest of BT Media LLC, a Nevada limited liability company.

- Septa Communications LLC, also known as “Captain Growth”, our wholly owned Ukrainian subsidiary, was acquired in March 2019.

- ClientConnect Ltd., our wholly owned Israeli subsidiary, owns all of the outstanding shares of common stock of ClientConnect, Inc., a Delaware corporation, and all of the outstanding ordinary shares of ClientConnect B.V., a Netherlands company. We are currently in the process of merging ClientConnect into Perion.

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

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

D. PROPERTY, PLANTS AND EQUIPMENT

Our headquarters are located in Holon, Israel. As of December 31, 2019, we lease approximately 30,946 square feet, excluding office space which we currently sublease. The lease expires in 2025, with an option to extend for two additional two-year periods at its sole discretion and upon 180-day prior written notice. Annual net cost is approximately $0.6 million.

As of December 31, 2019, we lease office spaces in various locations in the United States, excluding office spaces we currently sublease. Our primary locations, and their principal terms, are as follows:

	Square feet (net)	Annual Rent for 2019 in US$ in thousands (net)	Lease expires on (not including options)
New York, New York	25,550	$ 1,737	2026
Chicago, Illinois	3,984	$ 76	2023

Undertone’s offices are located at the World Trade Center (WTC) New York pursuant to a lease agreement that expires in May 2026. Under the lease agreement, we are entitled to terminate the lease in 2024, at our sole discretion.

In addition, we lease offices in various locations throughout Europe. Our primary location, and its principal terms, are as follows:

	Square feet	Annual Rent for 2019 in US$ in thousands	Lease expires on (not including options)
Paris, France	9,182	$ 720	2028

MakeMeReach's offices in Paris are located at rue de la Poissonniere pursuant to a lease agreement that expires in March 2028. Under the lease agreement we are entitled to terminate the lease in 2023, at our sole discretion.

ITEM 4.A UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

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

A. OPERATING RESULTS

General

Perion is a global technology company that provides agencies, brands and publishers with innovative solutions that cover the three main pillars of digital advertising. From its data-driven Synchronized Digital Branding platform and high-impact ad formats in the display domain, to its powerful advertising cloud platform, to its branded search network.

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

The following describes the nature of our principal items of income and expense:

Revenues

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

	Year Ended December 31,		
	2017	**2018**	**2019**
Advertising	$ 134,481	$ 125,977	$ 87,863
Search and other	139,505	126,868	173,587
Total Revenues	**$ 273,986**	**$ 252,845**	**$ 261,450**

In 2018, revenues decreased by 8% compared to 2017, primarily due to a result of Search and other revenues declining 9% due to churn of our legacy products and the network cleanup in the second quarter of 2017, along with a 6% decrease in our Advertising revenues mainly due to insufficient programmatic inventory to meet our demand for our programmatic high-impact ad units. In 2019, revenues increased by 3% compared to 2018, primarily driven by 37% growth in our Search and other revenues due to new publishers, higher RPMs and an increased number of searches, partially offset by advertising decline of 30% as we continued to prioritize margins over short-term sales.

Cost of Revenues

Cost of revenues consists primarily of salaries and related expenses, license fees and payments for content and server maintenance. Cost of revenues were $23.8 million or 9% of revenues in 2018 and $25.5 million or 10% of revenues in 2019. The number of employees included in cost of revenues as of December 31, 2017, 2018 and 2019 were 94, 76 and 79 respectively.

Customer Acquisition Costs and Media Buy

Our customer acquisition costs consist primarily of payments to publishers and developers who distribute our search properties together with their products, as well as the cost of distributing our own products. Customer acquisition costs are primarily based on revenue share agreements with our traffic sources. Media buy costs consist mainly of the costs of advertising inventory incurred to deliver ads. Customer acquisition and media buy costs were $128.4 million or 51% of revenues and $135.9 million or 52% of revenues in 2018 and 2019, respectively. The increase of customer acquisition costs is primarily due to churn of our search legacy products.

Research and Development Expenses

Our research and development expenses consist primarily of salaries and other personnel-related expenses for employees primarily engaged in research and development activities, allocated facilities costs, subcontractors and consulting fees. Research and development expenses were $18.9 million or 7% of revenues in 2018 and $22.6 million or 9% of revenues in 2019. Our research and development expenditures in 2019 increased compared to the prior year, primarily as a result of headcount increase to support our significant technology investments in 2019.

The number of employees in research and development were 117, 86 and 117 as of December 31, 2017, 2018 and 2019, respectively.

Selling and Marketing Expenses

Our selling and marketing expenses consist primarily of salaries and other personnel-related expenses for employees primarily engaged in marketing activities, allocated facilities costs, as well as other outsourced marketing activity. Selling and marketing expenses were $38.9 million or 15% of revenues in 2018 and $34.7 million or 13% of revenues in 2019. The decrease was primarily due to restructuring efforts undertaken at the beginning of 2018; the savings resulted from reduction of headcount, close of office facilities and other cost optimizations. The number of employees in sales and marketing was 167, 141 and 136 as of December 31, 2017, 2018 and 2019, respectively.

General and Administrative Expenses ("G&A")

Our general and administrative expenses consist primarily of salaries and other personnel-related expenses for executive and administrative personnel, allocated facilities costs, professional fees and other general corporate expenses. General and administrative expenses were $16.5 million or 7% of revenues in 2018 and $15.0 million or 6% of revenues in 2019. The decrease was primarily due to optimization of our rent expenses as a result of Undertone's transition to new office facilities. The number of G&A employees was 86, 60 and 67 as of December 31, 2017, 2018 and 2019, respectively.

Restructuring Charges

In 2019 and 2017, there were no restructuring charges.

In 2018, we incurred restructuring charges of $2.1 million, in connection with the restructuring plan, mainly to reduce workforce, close certain facilities, as well as other cost saving measures.

Impairment, loss of goodwill on intangible assets

Goodwill and intangible assets has been recorded as a result of prior acquisitions. Goodwill represents the excess of the consideration over the net fair value of the assets of the businesses acquired, the fair value of intangible assets was based on the market participant approach to valuation, performed by a third-party valuation firm, using estimates and assumptions provided by management.

We perform tests for impairment of goodwill and intangible assets at the reporting unit level at least annually, or more frequently if events or changes in circumstances occur that would more likely than not reduce the fair value of a reporting unit below its carrying value.

Following an impairment review of our goodwill and intangible assets for 2018 and 2019, it was concluded that no such impairment charges should be recorded.

Depreciation and amortization

Depreciation and amortization consist primarily of depreciation of our property and equipment and the amortization of our intangible assets as a result of our acquisitions. Depreciation and amortization expenses in 2018 and in 2019 remain steady in the amount of $9.7 million.

Income Tax Expense

A significant portion of our income is taxed in Israel and, as a result of the Undertone acquisition on November 30, 2015, in the United States. The standard corporate tax rate in Israel was 24% in 2017 and is 23% as of 2018 and 2019. For our Israeli operations we have elected to implement a tax incentive program pursuant to a 2011 Israeli tax reform, referred to as a "Preferred Enterprise," according to which a reduced tax rate of 16.0% is applied to our preferred income in 2016. In 2017, 2018 and 2019 we elected to implement the "Preferred Technological Enterprise" benefits pursuant to an amendment to the taxation laws which went into effect in 2017, under which a tax rate of 12% is applied to a portion of our income which qualifies for the benefits. Any other income which does not qualify for special benefits is subject to tax at the ordinary corporate income tax rate. With respect to U.S. tax, we expect to utilize accumulated losses we have from prior U.S. acquisitions. The federal statutory income tax rate in the United States was 35.0% in 2017 and 21% starting from 2018. Subsidiaries in Europe are taxed according to the tax laws in their respective countries of residence.

Critical Accounting Policies and Estimates

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

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

Stock-Based Compensation

We account for share-based payment awards made to employees and directors in accordance with ASC 718, "Compensation – Stock Compensation", which requires the measurement and recognition of compensation expense based on estimated fair values. Determining the fair value of stock-based awards at the grant date requires the exercise of judgment, as well as the determination of the amount of stock-based awards that are expected to be forfeited. We adopted ASU 2016-09 on January 1, 2017, and chose to continue to use the current method of estimating forfeitures each period rather than accounting for forfeitures as they occur. The adoption of the new standard had no material impact on our consolidated financial statements. If actual forfeitures differ from our estimates, stock-based compensation expense and our results of operations would be impacted. Expense is recognized for the value of the awards, which have graded vesting based on service conditions, using the straight-line method, over the requisite service period of each of the awards, net of estimated forfeitures. Estimated forfeitures are based on actual historical pre-vesting forfeitures. For performance-based stock units, expense is recognized for the value of such awards, if and when we conclude that it is probable that a performance condition will be achieved. We are required to reassess the probability of the vesting at each reporting period for awards with performance conditions and adjust compensation cost based on its probability assessment.

We account for changes in award terms as a modification in accordance with ASC 718. A modification to the terms of an award should be treated as an exchange of the original award for a new award with total compensation cost equal to the grant-date fair value of the original award plus the incremental value measured at the same date. Under ASC 718, the calculation of the

incremental value is based on the excess of the fair value of the new (modified) award based on current circumstances over the fair value of the original award measured immediately before its terms are modified based on current circumstances.

In order to keep our competitive hiring position in the industry, following the Board approval in December 2017, we effected in 2018 an option repricing plan. Under the repricing plan, among others, options granted to all of our employees, with certain limited exceptions and other than our directors, were adjusted to have an exercise price per share equal to $3.24, which was the weighted average price of our ordinary shares on Nasdaq in the last 90 days prior to the date of approval of the plan by our board of directors as well as have a new vesting schedule. The total incremental fair value of these repriced options amounted to $1.5 million, and was determined based on the binomial pricing options model.

Total stock-based compensation expense recorded during 2019 was $2.3 million, of which $0.2 million was included in cost of revenues, $0.5 million in research and development costs, $0.5 million in selling and marketing expenses, and $1.1 million in general and administrative expenses.

As of December 31, 2019, the maximum total compensation cost related to options, granted to employees and directors not yet recognized amounted to $3.2 million. This cost is expected to be recognized over a weighted average period of 1.2 years.

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

Taxes on Income

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

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

Accounting for tax positions requires judgments, including estimating reserves for potential uncertainties. We also assess our ability to utilize tax attributes, including those in the form of carry forwards for which the benefits have already been reflected in the financial statements. We record valuation allowances for deferred tax assets that we believe are not more likely than not to be realized in future periods. While we believe the resulting tax balances as of December 31, 2019 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 15 of the Financial Statements for further information regarding income taxes. We have filed or are in the process of filing local and foreign tax returns that are subject to audit by the respective tax authorities. The amount of income tax we pay is subject to ongoing audits by the tax authorities, which often result in proposed assessments. We believe that we adequately provided for any reasonably foreseeable outcomes related to tax audits and settlement. However, our future results may include favorable or unfavorable adjustments to our estimated tax liabilities in the period the assessments are made or resolved, audits are closed or when statutes of limitation on potential assessments expire.

Business Combinations

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

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

Goodwill

Goodwill is allocated to reporting units expected to benefit from a business combination. We perform tests for impairment of goodwill at the reporting unit level at least annually, or more frequently if events or changes in circumstances occur that would more likely than not reduce the fair value of a reporting unit below its carrying value. Goodwill impairment tests require judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units, assignment of goodwill to reporting units, and determination of the fair value of each reporting unit.

During 2017 we determined that certain indicators of potential impairment existed, which triggered goodwill impairment analysis for our reporting units. These indicators included a decrease in the Company's share price and a miss of the targeted budget due to lower sales and higher media buy as a percentage of revenues. Accordingly, we determined that the carrying amount of the Undertone reporting unit exceeds its fair value and thus we recorded in 2017 an impairment charge of $65.7 million related to goodwill. No such impairment charges were recorded in 2018 nor 2019.

Impairment of Long-Lived Assets

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

Upon determination that the carrying value of a long-lived asset may not be recoverable based upon a comparison of aggregate undiscounted projected future cash flows from the use of the asset or asset group to the carrying amount of the asset, an impairment charge is recorded for the excess of carrying amount over the fair value. We measure fair value using discounted projected future cash flows. We base our fair value estimates on assumptions we believe to be reasonable, but these estimates are unpredictable and inherently uncertain. If these estimates or their related assumptions change in the future, we may be required to record impairment charges for our tangible and intangible long-lived assets subject to amortization. In 2017, we incurred impairment charges of $20.0 million related to intangible assets associated with our reporting units. In 2018 and 2019, no such impairment charges were recorded.

Derivative and Hedge Accounting

During fiscal 2017, 2018 and 2019, approximately 9%, 9% and 10%, respectively, of our operating expenses, were denominated in NIS. In order to mitigate the potential adverse impact on cash flows resulting from fluctuations in the NIS exchange rate, we started to hedge portions of our NIS forecasted expenses with derivatives contracts. We implement hedge accounting under ASC-815, therefore, the effective portion of the change in fair value on the derivatives is reported as a component of other comprehensive income and gains or losses are reclassified into the relevant period earnings. We recognize in "financial income, net" the ineffective portion of a derivative change in fair value, if any, as well as the change in fair value of all non-designated under hedge accounting derivatives. We also entered into a cross currency interest rate SWAP agreements in order to translate our convertible debt (principal and interests) NIS cash flow into USD (see Note 8 and Note 10 of the Financial Statements). On June 6, 2019, the SWAP agreements were terminated concurrently with the early redemption of the convertible bond. The SWAP agreements were not designated as hedging instruments and therefore gains or losses resulting from the change of their fair value are recognized in "financial income, net." We estimate the fair value of such derivative contracts by reference to rates quoted in active markets.

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

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

Recent Accounting Standards

On January 1, 2019, the Company adopted ASC 842, "Leases," on the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). ASC 842 supersedes the previous leases standard, ASC 840, "Leases." ASC 842 requires lessees to apply a dual approach, classifying leases as either finance or operating leases, based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification determines whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A

lessee is also required to record a right-of-use ("ROU") asset and a lease liability for all leases with a term of greater than 12 months, regardless of their classification. The Company elected, as a practical expedient, to account for leases with a term of 12 months or less in a manner similar to the accounting under pre-existing guidance for operating leases. In July 2018, the FASB issued amendments in ASU 2018-11, which provides another transition method in addition to the existing transition method, by allowing entities to initially apply the new lease accounting standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption, and to not apply the new guidance in the comparative periods they present in the financial statements. The guidance is effective for the interim and annual periods beginning on or after December 15, 2018, and the Company has elected to apply the standard using a modified retrospective transition method at the beginning of the period of adoption (January 1, 2019) through a cumulative-effect adjustment.

The most significant impact from recognition of ROU assets and lease liabilities relates to the Company's office space. However, the adoption of ASC 842 does not have a material impact on the operating expenses in the Company's consolidated statements of operations, since the expense recognition under ASC 842 is similar to current practice. The Company's financial income (expenses), net is impacted by the revaluation of the lease liabilities denominated in non-dollar currencies.

To adopt ASC 842, the Company has implemented changes to its existing systems and processes in conjunction with a review of existing vendor agreements. See Note 11 of the Financial Statements for further information regarding ASC 842.

In February 2018, the FASB issued ASU 2018-02 “Income Statement—Reporting Comprehensive Income—Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income.” The guidance allows reclassification of stranded tax effects resulting from the Tax Cuts and Jobs Act from accumulated other comprehensive income to retained earnings. This guidance is effective for fiscal years beginning after December 15, 2018. The adoption of this guidance has no material impact on the Company’s consolidated financial statements.

In June 2018, the FASB issued ASU 2018-07 “Improvement to Nonemployee Share-Based Payments Accounting.” This guidance simplifies the accounting for non-employee share-based payment transactions. The amendments specify that ASC 718 applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor’s own operations by issuing share-based payment awards. The guidance is effective for fiscal years beginning after December 31, 2018. The adoption of this guidance started as of Jan 1, 2019 and has no material impact on the Company’s consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, “Financial Instruments – Credit Losses (Topic 326).” ASU 2016-13 requires that financial assets measured at amortized cost be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis. The measurement of expected credit losses is based upon historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. ASU 2016-13 will become effective for annual and interim periods beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The new standard will be effective for interim and annual periods beginning after January 1, 2020, and early adoption is permitted. The Company does not expect this standard to have a material effect on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, “Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment.” ASU 2017-04 eliminates the requirement to measure the implied fair value of goodwill by assigning the fair value of a reporting unit to all assets and liabilities within that unit (the "Step 2 Test") from the goodwill impairment test. Instead, if the carrying amount of a reporting unit exceeds its fair value, an impairment loss is recognized in an amount equal to that excess, limited by the amount of goodwill in that reporting unit. ASU 2017-04 will become effective for the Company beginning January 1, 2020 and must be applied to any annual or interim goodwill impairment assessments after that date. The Company will adopt this standard on a prospective basis as of January 1, 2020 and does not expect this standard to have a material effect on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13 “Fair Value Measurement (Topic 820)—Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement.” This guidance removes certain disclosure requirements related to the fair value hierarchy, modifies existing disclosure requirements related to measurement uncertainty and adds new disclosure requirements. The new disclosure requirements include disclosing the changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period and the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. Certain disclosures required by this guidance must be applied on a retrospective basis and others on a prospective basis. The guidance will be effective for fiscal years beginning after December 15, 2019, although early adoption is permitted. The Company does not expect this standard to have a material effect on its consolidated financial statements.

Results of Operations

The following table presents, for the periods indicated, our costs and expenses of our continuing operations, by category (in thousands of U.S. dollars):

	Year ended December 31,		
	2017	2018	2019
Cost of revenues	$ 24,659	$ 23,757	$ 25,520
Customer acquisition costs and media buy	130,885	128,351	135,891
Research and development	17,189	18,884	22,585
Selling and marketing	52,742	38,918	34,736
General and administrative	21,911	16,450	14,999
Depreciation and amortization	16,591	9,719	9,711
Restructuring costs	-	2,075	-
Impairment, loss of goodwill on intangible assets	85,667	-	-
Total Costs and Expenses	**$ 349,644**	**$ 238,154**	**$ 243,442**

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

	Year Ended December 31,		
	2017	2018	2019
Revenues:			
Advertising	49%	50%	34%
Search and other	51	50	66
Total revenues	**100%**	**100%**	**100%**
Costs and expenses:			
Cost of revenues	9%	9%	10%
Customer acquisition costs and media buy	48	51	52
Research and development	6	7	9
Selling and marketing	19	15	13
General and administrative	8	7	6
Depreciation and amortization	6	4	4
Restructuring charges	-	1	-
Impairment, loss of goodwill on intangible assets	31	-	-
Total costs and expenses	**127**	**94**	**93**
Operating income (loss)	**(27)**	**6**	**7**
Financial expenses, net	2	2	1
Income (loss) before taxes on income	**(29)**	**4**	**6**
Income tax expense (benefit)	(3)	1	1
Net Income (loss)	**(26)%**	**3%**	**5%**

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

Revenues. Revenues increased by 3%, from $252.8 million in 2018 to $261.5 million in 2019.

Advertising revenues. Advertising revenues decreased by 30% in 2019, from $126.0 million in 2018 to $87.9 million in 2019. This decrease as a result of the transition from selling formats to an integrated solution.

Search and other revenues. Search and other revenues increased by 37% in 2019, from $126.9 million in 2018 to $173.6 million in 2019. This increase is due to additional new publishers, higher RPMs and an increased number of searches.

Cost of revenues. Cost of revenues increased by 7%, from $23.8 million in 2018 to $25.5 million in 2019. Cost of revenues remained stable in terms of the percentage of revenues, representing 9% of revenues in 2018 and 10% in 2019.

Customer acquisition costs ("CAC") and media buy. CAC and media buy increased by 6%, from $128.4 million or 51% of revenues in 2018 to $135.9 million or 52% of revenues in 2019. The increase of customer acquisition costs is mainly as a result of the churn of our search legacy products.

Research and development expenses ("R&D"). R&D increase by 20%, from $18.9 million in 2018 to $22.6 million in 2019. The increase was primarily as a result of headcount increase to support our significant technology investments in 2019.

Selling and marketing expenses ("S&M"). S&M expenses decreased by 11%, from $38.9 million in 2018 to $34.7 million in 2019. The decrease resulted mainly from reduction of headcount and other cost optimizations.

General and administrative expenses ("G&A"). G&A decreased by 9%, from $16.5 million in 2018 to $15.0 million in 2019. The decrease was primarily due to optimization of our rent expenses as a result of Undertone's transition to new office facilities.

Restructuring costs. In 2019, no restructuring charges were recorded. In 2018, the Company incurred a restructuring costs of $2.1 million in connection with the restructuring plan, mainly to reduce workforce, close certain facilities, as well as other cost saving measures.

Depreciation and amortization. Depreciation and amortization expenses remained stable in the amount of $9.7 million in 2019 and 2018. Depreciation and amortization consist primarily of depreciation of our property and equipment and the amortization of our intangible assets as a result of our acquisitions.

Taxes on income (benefit). Taxes on income decreased by $1.2 million from a tax expense of $2.8 million in 2018 to $1.6 million in 2019. The decrease was primarily a result of utilization of tax attributes in foreign subsidiaries during 2019.

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Revenues. Revenues decreased by 8%, from $274.0 million in 2017, to $252.8 million in 2018.

Advertising revenues. Advertising revenues decreased by 6% in 2018, from $134.5 million in 2017, to $126.0 million in 2018. This decrease is attributable to insufficient programmatic inventory to meet our demand for our programmatic high-impact ad units.

Search and other revenues. Search and other revenues decreased by 9% in 2018, from $139.5 million in 2017, to $126.9 million in 2018. This decrease was primarily due to the churn of our legacy products and the network cleanup in the second quarter of 2017.

Cost of revenues. Cost of revenues decreased by 4%, from $24.7 million in 2017, to $23.8 million in 2018. Cost of revenues remained stable in terms of the percentage of revenues, representing 9% of revenues in 2017 and 2018.

Customer acquisition costs ("CAC") and media buy. CAC and media buy decreased by 2%, from $130.9 million or 48% of revenues in 2017, to $128.4 million or 51% of revenues in 2018. In search, the increase as a percentage of revenues is primarily due to churn of our legacy products, while in advertising, the increase is mainly attributed to product mix and due to the effect of header bidding and Chrome ad blocker.

Research and development expenses ("R&D"). R&D increase by 10%, from $17.2 million in 2017, to $18.9 million in 2018. The increase was primarily as a result of reduction of capitalization expenses due to development completion of platform during 2018.

Selling and marketing expenses ("S&M"). S&M expenses decreased by 26%, from $52.7 million in 2017, to $38.9 million in 2018. The decrease was primarily as a result of restructuring efforts undertaken during 2017 and in the beginning of 2018; the savings resulted from reduction of headcount, close of office facilities and other cost optimizations.

General and administrative expenses ("G&A"). G&A decreased by 25%, from $21.9 million in 2017, to $16.5 million in 2018. The decrease is primarily due to restructuring efforts undertaken during 2017 and in the beginning of 2018; the savings resulted from reduction of headcount, close of office facilities and other cost optimizations.

Restructuring costs. In 2018, the Company incurred a restructuring costs of $2.1 million in connection with the restructuring plan, mainly to reduce workforce, close certain facilities, as well as other cost saving measures. In 2017, no restructuring charges were recorded.

Depreciation and amortization. Depreciation and amortization expenses decreased by 41%, from $16.6 million in 2017, to $9.7 million in 2018. Depreciation and amortization consist primarily of depreciation of our property and equipment and the amortization of our intangible assets as a result of our acquisitions. The decrease is primarily attributable to the lower amortization of the acquired intangible assets from the Undertone acquisition, as a result of an impairment charge in 2017.

Impairment, loss of goodwill on intangible assets. In 2017, the Company recorded an impairment charge of $85.7 million, classified as "Impairment charges" in the consolidated statements of income. No further impairment charges were recorded in 2018.

Taxes on income (benefit). Taxes on income increased by $11.6 million from a tax benefit of $(8.8) million in 2017, to a tax expense of $2.8 million in 2018. The increase was primarily a result of the decrease of deferred taxes on intangible assets in 2017.

B. **LIQUIDITY AND CAPITAL RESOURCES**

As of December 31, 2019, we had $61.6 million in cash, cash equivalents and short-term deposits, compared to $43.1 million at December 31, 2018. The $18.5 million increase is primarily the result of $44.7 million cash provided by operating activities offset by $24.2 million repayment of our short and long-term debt and $1.4 million used in other investing activities.

Net cash provided by operating activities

In 2019, our operating activities provided cash in the amount of $44.7 million, primarily as result of income in the amount of $12.9 million, decreased by non-cash expenses, depreciation and amortization of $9.7 million, share-based compensation expenses of $2.3 million and net change of $19.8 million in operating assets and liabilities.

In 2018, our operating activities provided cash in the amount of $32.8 million, primarily as result of income in the amount of $8.1 million, decreased by non-cash expenses, depreciation and amortization of $9.7 million, share-based compensation expenses of $2.7 million and net change of $12.3 million in operating assets and liabilities.

In 2017, our operating activities provided cash in the amount of $36.0 million, primarily as result of net loss in the amount of $72.8 million, decreased by non-cash expenses including, impairment charge of $85.7 million, depreciation and amortization of $16.6 million, share-based compensation expenses of $2.1 million and net change of $4.4 million in operating assets and liabilities.

Net cash used in investing activities

In 2019, we used in our investing activities $21.2 million cash, primarily due to $19.2 million investment in short-term deposits, $1.2 million cash paid in connection to acquisitions and $1.2 million invested in the purchase of property and equipment offset by $0.5 million proceeds from sales of property and equipment.

In 2018, we used in our investing activities $1.8 million cash, primarily due to $1.7 million invested in development costs that were capitalized, $1.9 million of proceeds from maturities of short-term bank deposits and $2.0 million invested in the purchase of property and equipment.

In 2017, we used in our investing activities $4.9 million cash, primarily due to $5.8 million invested in development costs that were capitalized, $2.5 million of proceeds from maturities of short-term bank deposits and $1.6 million invested in the purchase of property and equipment.

Net cash used in financing activities

In 2019, we used in our financing activities $24.8 million cash, primarily due to $15.9 million repayment of our convertible debt and $8.3 repayment of our long and short-term loan.

In 2018, we used in our financing activities $23.0 million cash, primarily due to $36.5 million in repayments of long-term loans, $8.2 million repayment of our convertible bonds and $3.3 million used for the repayment of obligations related to the SweetIM acquisition, partially offset by $25.0 million proceeds from long-term loans following the new Mizrahi Credit facilities.

In 2017, we used in our financing activities $23.8 million cash, primarily due to $11.4 million in repayments of long-term loans, $7.9 million repayment of our convertible bonds, $7.0 million repayments of short-term loans, net and $2.5 million used

for the repayment of obligations related to the Undertone acquisition, partially offset by $5.0 million proceeds from long-term loans.

Credit facilities

On November 30, 2015, concurrent with the closing of the Undertone acquisition, Undertone entered into a new secured credit agreement with SunTrust Bank, Silicon Valley Bank and Comerica Bank, (Comerica Bank having been replaced in 2016 by Cadence Bank). This facility was repaid in full from the proceeds of the Bank Mizrahi facility. See “Bank Mizrahi credit facility” below.

Bank Mizrahi credit facility

On May 10, 2017, ClientConnect executed a credit facility with Mizrahi Tefahot Bank Ltd. (“Bank Mizrahi”), an Israeli bank, pursuant to which ClientConnect was permitted to borrow up to $17.5 million. This facility was repaid in full from the proceeds of the new Bank Mizrahi facility.

On December 17, 2018, ClientConnect executed a new loan facility with Bank Mizrahi in the amount of $25 million. Proceeds of the loan facility were applied to the refinancing of existing debt of ClientConnect with Bank Mizrahi as well as existing debt of Undertone with SunTrust Bank.

Principal on the loan is payable in twelve equal quarterly instalments beginning in March 2019. Interest on the loan at the rate of three-month LIBOR plus 5.7% per annum is payable quarterly. The credit facility is scheduled to mature on December 31, 2021.

The credit facility is secured by liens on the assets ClientConnect of and Undertone and is guaranteed by Perion and Undertone. Each such guarantee is limited in amount to $33 million. Financial covenants for the loan facility are tested at the level of Perion on a consolidated basis.

The major financial covenants under the Bank Mizrahi credit facility are as follows:

- shareholders’ equity of at least $80 million at the end of each quarter;
- ratio of net financial indebtedness to twelve-month EBITDA of not more than 2.25 at the end of each quarter; and
- maintenance at all times of cash and cash equivalents in an amount equal to the lesser of (i) $10 million and (ii) the amount of the following payment of principal and interest.

As of December 31, 2019, the balance of the loan was $16.7 million out of which $8.3 million was classified as long-term debt and $8.3 million as current maturities.

As of December 31, 2019, we were in compliance with all of the foregoing covenants.

Series L Convertible Bonds

On September 23, 2014, we completed a public offering in Israel of Series L Convertible Bonds (the “Bonds”). The Bonds had an aggregate principal amount of approximately NIS 143.5 million (approximately $39.2 million). The Bonds were listed on the TASE, and were convertible into an aggregate of approximately 4.3 million ordinary shares, at a conversion price of NIS 100.815 per share (approximately $28 per share as of June 6, 2019, the redemption date of the bond). On February 28, 2019, Standard & Poor’s Maalot Ratings Services reaffirmed our corporate credit rating of ilA-, with a stable outlook. On June 6, 2019 we repaid the entire outstanding amount (approximately NIS 28.7 million or approximately $8 million).

Financing Needs

We believe that our current working capital and cash flow from operation are sufficient to meet our operating cash requirements for at least the next twelve months, including payments required under our existing bank loans.

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

Our research and development activities are conducted internally by 117 persons at December 31, 2019. Research and development expenses were $17.2 million, $18.9 million and $22.6 million in the years ended December 31, 2017, 2018 and 2019, respectively. In 2019, our efforts were focused on adapting, extending (organically and in-organically through acquisitions) and maintaining compatibility with the ever-changing business landscapes and automation of our platforms and operating systems.

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

D. TREND INFORMATION

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

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

2. The digital advertising environment is also complex and fragmented. As a result, it is increasingly difficult for advertisers, including brands and agencies, as well as investors, to discern the difference between the offerings, and this situation requires that advertisers to maintain only small number of relationships which provide a comprehensive and holistic solution and service. In addition, advertisers are looking for clean, safe and transparent solutions. We are attempting to address these needs in our various revenue streams by providing robust, scalable and differentiated products across multiple platforms. Our solution offers a full suite of services for the advertising brand and agency, including the entire advertising process from creative through analytic data collection and processing which is also utilized through programmatic capabilities which has an increasing demand. Through Content IQ, we provide advertisers the ability to serve advertisements which are targeted to the end-user's interests alongside relevant optimized content and page-level reader engagement. Our solution also includes a technology platform for buying media on social and mobile platforms which helps optimize the money spent by agencies and advertisers. In turn, we also provide the publisher a solution for creating new advertising inventory and increasing their revenue.

3. Our search monetization revenue is predominantly within the desktop computers environment. The transition in recent years of consumer consumption of applications, services and content from desktop towards mobile platforms has accelerated and, as a result, an increasing share of advertising campaigns are channeled towards mobile platforms resulting in fewer consumer software downloadable products are being developed. To address this trend, we have shifted the growth focus of all parts of this business away from downloadable desktop software towards the monetization of other search assets.

4. In past years the browser companies, particularly Google and Microsoft, as well as others, have been instituting policy changes, regulations and technologies that is making it increasingly difficult to change a browser's settings even with user consent, including the ability to change a browser's default search settings. Changing such settings has been a major part of the Company's monetization model and until now we have been successful in dealing with these measures, within the framework allowed by these companies We continue to believe, as supported by the level of revenues over the last couple of years, that as the market continues to consolidate around accepted marketing practices, there remains sufficient business at a level sufficient to generate significant revenues and profits.

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

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

E. OFF-BALANCE SHEET ARRANGEMENTS

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

F. TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The following table summarizes our contractual commitments as of December 31, 2019 and the effect those commitments are expected to have on our liquidity and cash flow in future periods. All numbers below are in US dollars in thousands.

	Payments Due by Period(****)				
Contractual Commitments as of December 31, 2019	**Total**	**Less than 1 year**	**1-3 Years**	**3-5 Years**	**More than 5 Years**
Long-term debt, including current portion (*)	$ 16,666	$ 8,333	$ 8,333	$ -	$ -
Accrued severance pay (**)	1,768	-	-	-	1,768
Uncertain tax positions (ASC-740)	4,235	-	-	-	4,235
Operating leases	30,152	5,333	10,049	9,536	5,234
Total	$ 53,846	$ 14,691	$ 18,382	$ 9,536	$ 11,237

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

(**) Prior notice to our executive employees as well as severance pay obligations to our Israeli employees, as required under Israeli labor law and as set forth in employment agreements, are payable only upon termination, retirement or death of the respective employee and are for the most part

covered by ongoing payments to funds to cover such obligations.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. DIRECTORS AND SENIOR MANAGEMENT

The following table sets forth information regarding our executive officers and directors as of March 9, 2020:

Name	Age	Position
Eyal Kaplan*(1)(2)	60	Chairman of the Board of Directors
Doron Gerstel	59	Chief Executive Officer; Director
Maoz Sigron	42	Chief Financial Officer
Dror Erez(1)	50	Director
Sarit Firon*(1)(3)(4)	53	Director
Rami Schwartz* (3)(4)	62	Director
Michael Vorhaus*(2)(4)	62	Director
Joy Marcus*(2)(3)	58	Director
Miki Kolko	57	Chief Technology Officer
Daniel E. Aks	60	President, Undertone
Tal Jacobson	45	General Manager, CodeFuel
Ran Cohen	49	Senior Vice President, Product

* “Independent director” under the Nasdaq Listing Rules.
(1) Member of the investment committee.
(2) Member of the nominating and governance committee.
(3) Member of the compensation committee.
(4) Member of the audit committee.

Effective as of August 26, 2019, our board of directors adopted the exemption under the Israeli Companies Regulations (Reliefs for Public Companies whose Shares are Listed on a Stock Exchange Outside of Israel), 2000, or the Regulation, our director in office who was elected and classified as external director, Ms. Sarit Firon, is no longer classified as such under the Companies Law. The transition rules set forth under the Regulation provide that such former external directors have the right to remain in office as company’s directors at their option after the exemption under the Regulation is adopted until the earlier of such directors’ original end of term of office or the second annual meeting of shareholders after the adoption of the exemption under the Regulation. Ms. Sarit Firon’s term of office expires in January 2020, however our board of directors has re-appointed Ms. Firon with the term of office that expires as of our 2021 annual meeting of shareholders.

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

Eyal Kaplan has been the chairman of the board of directors of the Company since May 2018. Mr. Kaplan is also the Chairman of Expand Investments, an advisory and consulting firm focusing on growth-through-innovation and corporate strategies. Prior to that, he was Managing General Partner with Walden Israel, a venture capital firm, during which time he was Director and Chairman of numerous portfolio companies. In 1990 he co-founded Geotek Communications, an international wireless communications company, and served as senior vice president with broad strategic, managerial and operational responsibilities until 1995. Mr. Kaplan has been a member of the Technion (Israel Institute of Technology) Council (executive board) since January 2014, where he chairs the Finance Committee and is a member of the Endowment Investment Committee. Since 2012 he has been a member of the Technion Board of Governors, a body of some 300 high-profile visionaries and decision makers with outstanding achievements in the fields of science, technology, economy, industry, culture and society. From 2007 to 2012, Mr. Kaplan was a member of the Advisory Committee of Caesarea Center for Capital Markets & Risk Management, and from 2005 to 2014, he was a member of the Advisory Committee of the Global Consulting Practicum at the Wharton School of the University of Pennsylvania. Mr. Kaplan holds an MBA from the Wharton School of the University of Pennsylvania, a Master of Arts in International Studies from the Lauder Institute of the University of Pennsylvania, and a Bachelor of Science degree (with Honors) in economics and management from the Technion - Israel Institute of Technology.

Doron Gerstel has been a director of the Company since May 2018, and the Chief Executive Officer of the Company since April 2017. In his previous role as CEO of Panaya Ltd., Mr. Gerstel led a company turnaround that saw an increase in annual revenue and the company's acquisition by Infosys Limited. Mr. Gerstel has also held CEO positions at Nolio Ltd., Syneron Medical Ltd. and Zend Technologies Ltd. Mr.Gerstel holds a BSc. in Economics and Management from the Technion Institute of Technology in Haifa, and an MBA from Tel Aviv University.

Maoz Sigron has been the Chief Financial Officer of the Company since February 2018. Prior to that, since September 2017 until February 2018, Mr. Sigron served as our VP Finance. Previously, he served in various finance leadership and senior accounting positions at Tnuva Dairy Corporation, Allot Communications Ltd. (Nasdaq:ALLT) and Stratasys Ltd. (Nasdaq:SSYS) as well served as a CPA with PwC. Mr. Sigron holds a B.A in accounting and Economics from the College of Management.

Dror Erez has been a director of the Company since January 2014. In 2005, Mr. Erez co-founded Conduit and served as its Chief Technology Officer until January 2014, when he became Conduit's President and in May, 2018 became Conduit's chairman of the board of directors for a year. Mr. Erez is also a member of the Conduit board of directors. Mr. Erez is now advising for startups on strategy, product and technology. Prior to founding Conduit, he served in various executive roles in private technology companies. Mr. Erez holds a B.A. in Physics and Computer Science from Bar Ilan University.

Sarit Firon has been an external director of the Company since January 2017 and following the Company's adoption of the exemption under the Regulation in August 2019 continued as an independent director. Since November 2014, Ms. Firon has been a managing partner of Cerca Partners, an Israeli venture capital fund. She has served at Extreme Reality Ltd., as its chief executive officer from December 2012 to November 2014 and as a director since December 2014. From November 2011 to November 2012, Ms. Firon was the Chief Financial Officer of Kenshoo Ltd. From November 2007 to October 2011, Ms. Firon was the Chief Financial Officer of MediaMind Technologies Inc., a Nasdaq listed company which was acquired by DG, Inc. in August 2011. From May 2005 to June 2007, Ms. Firon was the Chief Financial Officer of OliveSoftware and from January 2000 to October 2004, she was the CFO of P-Cube, a private company which was acquired in October 2004 by Cisco Systems, Inc. (Nasdaq:CSCO). From October 2004 to January 2005, Ms. Firon was employed by Cisco to be responsible for the post-merger integration of P-Cube. From January 1995 to December 1999, Ms. Firon served in various positions at Radcom Ltd. (Nasdaq:RDCM), including as its Chief Financial Officer from September 1997 to December 1999. Since July 2015, she has served as chairperson of the Board of myThings Israel Ltd. Since June 2014, Ms. Firon has served as a director of Mediwound Ltd. (Nasdaq:MDWD), and since June 2012, Ms. Firon has served as a director of Datorama Ltd. From October 2000 to December 2006, Ms. Firon served as a director of MetaLink Ltd. (OTCMKTS:MTLK). Ms. Firon holds a B.A. in Accounting and Economics from Tel-Aviv University, Israel.

Rami Schwartz has joined The Portland Trust as Managing Director of the Tel Aviv office in April 2018. Mr. Schwartz also serves as an advisory board member of Algosec. Previously, Mr. Schwartz was the President of the Amdocs Products and Amdocs Delivery groups for 7 years. Prior to joining Amdocs, Mr. Schwartz was the Chairman of Olive Software (acquired by ESW Capital), and Comply, the co-founder and CEO of Zizio and DigiHOO, and an EIR at Cedar Fund. Mr. Schwartz was CEO and director of Exanet (acquired by Dell) and General Manager of Precise Software (acquired by Veritas software) and an EIR at Cedar Fund. Mr. Schwartz holds a B.Sc. in excellence, in Mathematics and Computer Science from the Hebrew University in Jerusalem.

Michael Vorhaus has been a director of the Company since April 2015. Starting December of 2018, Mr. Vorhaus has founded Vorhaus Advisors and is CEO of the firm. From 1994 to November 2018, he was in a variety of positions at of Frank N. Magid Associates, Inc., a research-based strategic consulting firm. From 1994 to 2008, he served as its Senior Vice President and Managing Director and from 2008 to 2018 he served as the President of Magid Advisor, a unit of Magid Associates. From 2013 to 2014, Mr. Vorhaus served as a director of Grow Mobile. In 1987, he founded Vorhaus Investments. Mr. Vorhaus holds a B.A. in Psychology from Wesleyan University and completed the Management Development Program at the University of California, Berkeley's Haas School of Business.

Joy Marcus has been a director of the Company since November 2019. Ms. Marcus has a wealth of experience in the media industry, including EVP and GM Digital Video at Condé Nast Entertainment, CEO of Bloglovin' (now Activate), SVP Global Marketing Solutions at Time Warner (now WarnerMedia), VP International at Viacom and GM North America for DailyMotion. She sits on the Boards of digital media companies Anyclip and Qwire, and the nonprofits New York Tech Alliance and Hoops4Hope. Joy is currently a full time Lecturer on Entrepreneurship at Princeton University, and is serving as a Venture Partner at VC firm JVP, focusing on digital media, advertising and consumer investments. Joy graduated with Magna Cum Laude from Princeton University and has a JD from NYU Law School.

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

Daniel E. Aks has been the President of Undertone since August 2019 and an external director of the Company from August 2018 until August 2019. Since December 2017, Mr. Aks is the Chief Executive Officer of Antenna International, a story-maker and creative technology company devoted to cultural, iconic site and commercial attractions. Prior to Antenna, from December 2010 to December 2017 he was the owner of C3 Multimedia LLC., a consulting firm in the fields of information, education K-16 and media and during his term with C3 was, inter-alia, the Acting Chief Operating Officer for the Educational Records Bureau (ERB), a K-12 assessment organization serving private education and high performing public institutions (from March 2015 until December 2017). From January 2014 until December 2017, Mr. Aks was the Co-Founder of The EdTech Fund, an investment vehicle for seed capital investments in educational technologies. He also served as the Senior Vice President and Chief of Staff for McGraw-Hill Education (MHE) from September 2008 until November 2010 where he was responsible for information technology, public relations, strategy and business development, K-12 differentiated instruction pilots, and content management system development. From July 2007 until April 2008 he served as the Chief Operating Officer and Executive Vice President at The Greenspun Companies, where he had general management responsibility of the company’s magazine and companion web site businesses. Prior to that from January 2006 to July 2007, he held positions with MTV Networks (MTVN) as a Senior Vice President of both Operations and Consumer Products. Prior to MTVN from August 1999 to June 2004, Mr. Ask served PRIMEDIA’s Consumer Magazine Group as Chief Operating Officer, where he managed the Direct Response Advertising Group, Manufacturing, Production, Distribution, IT, Strategy, Business Development, Global Sourcing, and at times Circulation. He was also President of PRIMEDIA Consumer Magazine Internet Group during that term. Prior to joining PRIMEDIA, Mr. Aks was a partner with the Booz Allen Hamilton consulting firm where he specialized in business growth, operations strategy and restructuring in the media, education, telecommunications and consumer goods industries. Mr. Aks holds a BS in Manufacturing/Industrial Engineering and a B.A. in Business Administration from Rutgers University and earned an MBA from the Harvard University Graduate School of Business Administration, where he graduated with second-year honors.

Tal Jacobson has been the General Manager of CodeFuel since November 2018. Tal has been an executive in the Israeli high-tech industry for over 20 years. Previously to joining Perion, Tal served as the Chief Revenue Officer and Chief Business Development Officer at SimilarWeb. He also founded Monotizer, which provided a technology for generating traffic to online retailers. Previously, Tal was the VP of Business at McCann Erickson as well as held the position of CEO at Watchitoo - a video collaboration platform. Tal was also the Director of Business Development at AOL as part of the IM division (ICQ).

Ran Cohen has been the SVP Product of the company since December 2017. From 2014 to 2016 Mr. Cohen served as VP Programmatic Strategy for Undertone and prior to that he was the co-founder and president of Legolas Media (Acquired by Undertone). Prior to that, Mr. Cohen served as VP Product at Sizmek Inc. (formerly known as Eyeblaster Inc.). Mr. Cohen holds an MBA from Tel Aviv University and B.A in economics and Asian studies from the Hebrew University.

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

B. COMPENSATION

The aggregate direct compensation we paid to our officers as a group (including our former officers, 8 persons) for the year ended December 31, 2019, was approximately $5.2 million, which included approximately $0.5 million that was set aside or accrued to provide for pension, retirement, severance or similar benefits. This amount includes bonuses paid to our officers pursuant to our executive bonus plan based on company performance measures, in accordance with our Compensation Policy for Directors and Officers. This amount does not include expenses we incurred for other payments, including dues for professional and business associations, business travel and other expenses, and other benefits commonly reimbursed or paid by companies in Israel.

The aggregate compensation we paid to our directors who are not officers for their services as directors as a group for the year ended December 31, 2019 was approximately $0.4 million. In addition, our directors are reimbursed for expenses incurred in order to attend board of directors or committee meetings.

In the year ended December 31, 2019, we granted (i) options to purchase 476,668 ordinary shares to our officers, at a weighted average exercise price of $3.55 per share, and the latest expiration date for such options is September 2026. These options were granted under our Equity Incentive Plan, as amended, formerly known as the 2003 Israeli Share Option Plan (the “Incentive Plan”).

In 2019, we paid each of our non-executive directors $50,000 per year, subject to adjustment for changes in the Israeli consumer price index and applicable changes in the Israeli regulations governing the compensation of external directors. Our non-executive directors were also entitled for an annual grant of options to purchase 8,333 ordinary shares under the Incentive Plan.

Following the approval of the annual general meeting of our shareholders held on February 6, 2020, the annual grant of options for our non-executive directors (other than the chairperson if compensated under a separate arrangement) was increased to 15,000 options to purchase Ordinary Shares. Such grant will be made upon the initial election or appointment of a non-executive director and on each anniversary of such grant thereafter, and with respect to each non-executive director in office as of February 6, 2020, on the later of the first anniversary of the most recent grant to such director and the date of the resolution to increase the grant of options. Each option will be exercisable for a term of five years at an exercise price per share equal to the average stock market price of the 90 days prior to the date of grant (and not less than the closing share price on the date of grant in the case of U.S. grantees). The options will vest on a quarterly basis, in equal tranches, during the year following the grant. Following termination or expiration of the applicable director's service with the Company, provided that the termination or expiration is not for "cause" and is not a result of the director's resignation, the options would retain their original expiration dates and, with respect to each grant, the upcoming tranche of options that are scheduled to vest immediately subsequent to the termination date, if any, will automatically vest and become exercisable. All unvested options held by a director in office will automatically vest and become exercisable upon a change of control of the Company, which is defined for this purpose as (i) a merger, acquisition or reorganization of the Company with one or more other entities in which the Company is not the surviving entity, (ii) a sale of all or substantially all of the assets of the Company; (iii) a transaction or a series of related transactions as a result of which more than 50% of the outstanding shares or the voting rights of the Company are beneficially owned by one person or group (as defined in the SEC rules) ("Change of Control").

The compensation we paid to our chairman of the board of directors, Mr. Kaplan, for the year ended December 31, 2019 was US$ 100,000 plus VAT, paid in four quarterly payments and reimbursement of out-of-pocket expenses incurred in connection with Mr. Kaplan's services as chairman. Mr. Kaplan is also entitled for indemnification and liability insurance as provided to other members of the board of directors. Mr. Kaplan's services agreement also includes customary non-disclosure, non-compete, and ownership assignment of intellectual property undertakings.

Following the approval of the extraordinary general meeting of our shareholders held on August 2, 2018, Mr. Kaplan was granted with a one-time grant of options to purchase 66,666 Ordinary Shares, with a 3-year vesting schedule, commencing on May 9, 2018. In addition, following the approval of the annual general meeting of our shareholders held on February 6, 2020, and subject to the continued engagement as our chairman of the Board, Mr. Kaplan was granted with a one-time grant of options to purchase 90,000 Ordinary Shares with a 3-year vesting schedule (the options will vest quarterly in equal tranches over a three-year period), commencing on May 9, 2021, at an exercise price per share equal to the average stock market price of the 90 days period preceding the date of the general meeting of our shareholders, as reported by the Nasdaq Stock Market. The options granted are subject to the terms and conditions of the Incentive Plan and the option agreement pursuant to the Incentive Plan. Upon removal of Mr. Kaplan from office either by a vote of the Board or by a vote of the Company's shareholders, either (i) as a direct result of the negotiation of a Change of Control; or (ii) within six months following a Change of Control event (for the avoidance of doubt, in both (i) and (ii), other than for "cause" – as such term defined in the Incentive Plan) all unvested options shall automatically be accelerated and become fully vested on the effective date of any such event described in either (i) or (ii).

The table below reflects the compensation granted to our five most highly compensated office holders during or with respect to the year ended December 31, 2019. We refer to the five individuals for whom disclosure is provided herein as our "Covered Executives."

For purposes of the table below, "compensation" includes salary cost, bonuses, equity-based compensation, retirement or termination payments, benefits and perquisites such as car, phone and social benefits and any undertaking to provide such compensation. All amounts reported in the table are in terms of cost to the Company, as recognized in our financial statements for the year ended December 31, 2019, including the compensation paid to such Covered Executive following the end of the year in respect of services provided during the year. Each of the Covered Employees was covered by our D&O liability insurance policy and was entitled to indemnification and exculpation in accordance with applicable law and our articles of association. All numbers below are in US Dollars in thousands.

Name and Principal Position (1)	**Salary Cost** (2)	**Bonus** (3)	**Equity-Based Compensation** (4)	**Total**
Doron Gerstel, Chief Executive Officer	714	884	680	2,278
Tal Jacobson, General Manager, CodeFuel Business Unit	279	389	68	736
Miki Kolko, Chief Technology Officer	321	76	165	562
Ran Cohen, Senior Vice President, Product	425	45	64	534
Maoz Sigron, Chief Financial Officer	265	157	64	486

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

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

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

(4) Represents the equity-based compensation expenses recorded in our consolidated financial statements for the year ended December 31, 2019. Such numbers are based on the option grant date fair value in accordance with accounting guidance for equity-based compensation and does not necessarily reflect the cash proceeds to be received by the applicable officer upon the vesting and sale of the underlying shares. For a discussion of the assumptions used in reaching this valuation, see Note 2 to our Financial Statements.

Compensation Terms of our Chief Executive Officer

Doron Gerstel serves as our Chief Executive Officer from April 2017 and as a director of the Company since May 2018. His monthly base salary is NIS 95,000 (equivalent to approximately $27,490), and effective as of January 15, 2019 he is entitled for a time-limited increase of the monthly base salary, approved by the extraordinary general meeting of our shareholders held on April 11, 2019, by a gross monthly amount of NIS 36,270, following of which the gross monthly salary is NIS 131,270 (equivalent to approximately $37,980), valid until April 11, 2020. Following the approval of the annual general meeting of our shareholders held on February 13, 2020, the monthly base salary of Mr. Gerstel will be adjusted to NIS 120,000 (equivalent to approximately $34,720), effective April 12, 2020. Mr. Gerstel also entitled to customary benefits (including those mandated by applicable law and/or generally provided to other executive officers of the Company), including managers' insurance or pension arrangement, disability insurance, severance pay (pursuant to Section 14 of the Severance Pay Law), educational savings fund, private health insurance, indemnification, liability insurance (including for the period of seven years following termination), convalescence pay, meal plan, cellular telephone and personal computer. Mr. Gerstel is not compensated for his role as director.

Mr. Gerstel is also entitled for a target annual cash bonus of up to a maximum of twelve (12) monthly salaries, subject to performance matrix to be approved by the Company's compensation committee and board of directors on an annual basis, while up to 25% of such annual bonus may be discretionary and not subject to measurable performance indexes. Following the approval of the annual general meeting of our shareholders held on February 13, 2020, Mr. Gerstel's maximum annual cash bonus including for overachievement performance will be up to a maximum of eighteen (18) monthly salaries for any given calendar year. In addition, our compensation committee and the board of directors are authorized to grant Mr. Gerstel, from time to time, a special bonus in accordance with and subject to our Compensation Policy for Directors and Officers.

Upon joining the Company, Mr. Gerstel was granted with two stock option grants under the Company's Incentive Plan: (i) option to purchase up to 387,278 ordinary shares at an exercise price per share of $4.98 (which was the approximate market price per ordinary shares on the Nasdaq Stock Market on the date of the employment agreement); and (ii) option to purchase up to 387,278 ordinary shares at an exercise price per share of $7.89 (together, the "Options").

The Options are exercisable for cash or on a "cashless" basis, at the election of Mr. Gerstel, and have a term of six years, which will not be reduced in the event that employment terminates prior thereto, except in the event of termination for "Cause" (as defined in the employment agreement). The Options vest during the term of employer-employee relations, in quarterly installments, over a period of four years. The vesting schedule of the Options will fully accelerate (i) upon the closing of a "Transaction" (as defined below) or (ii) if the employee is terminated without "Cause" or if he resigns as a result of being demoted or relocated, in each case, within 12 months following a "Change of Control" (as defined below).

Each grant constitutes approximately 1.5% of the outstanding ordinary shares as of March 9, 2020.

At the annual general meeting of our shareholders held on February 15, 2018, and as part of a cross-company repricing plan designed mainly to keep our competitive hiring position in the industry, the repricing of options granted to Mr. Gerstel was approved. The first tranche of 387,278 options was adjusted to have an exercise price per of $3.24 (which is equal to the weighted average price of our ordinary shares on Nasdaq in the last 90 days prior to the date of approval of the repricing plan by our board of directors) (the "Adjusted Exercise Price"), and the second tranche of 387,278 options was adjusted to have an exercise price per share equal to $4.23, which is 130% of the Adjusted Exercise Price.

At the extraordinary meeting of our shareholders held on April 11, 2019, Mr. Gerstel was granted with additional grant of options to purchase 150,000 Ordinary Shares, with a 3-year vesting schedule (the options will vest on a quarterly basis in equal tranches over a three-year period), commenced on January 15, 2019 (the “2019 Options”). The exercise price per share for the shares underlying the 2019 Options is as follows: (i) the first 75,000 of shares underlying the 2019 Options will be exercised at a price per share equal to $2.87, which is the weighted average closing price of our ordinary shares on Nasdaq in the last 90 days prior to the date of approval of the grant by our board of directors on February 12, 2019, as reported by the Nasdaq Stock Market (the “Base PPS”); and (ii) the remaining 75,000 of shares underlying the 2019 Options will be exercised at a price per share equal to $3.30 which is a price 15% higher than the Base PPS. The 2019 Options will be subject to the terms and conditions of the Company’s Incentive Plan, as amended and the terms of the option agreement to be issued to Mr. Gerstel pursuant to the Company’s Incentive Plan. The vesting schedule of the Option will fully accelerate in accordance of the acceleration provisions of the options previously granted to Mr. Gerstel (with change in the board event measured as of the date of the shareholders meeting).

Such grant constitutes approximately 0.6% of the outstanding ordinary shares as of March 9, 2020.

For the purpose of Mr. Gerstel’s employment agreement, “Transaction” means the occurrence and closing, in a single transaction or in a series of related transactions, of any one or more of the following events pursuant to the approval or recommendation of the Board of Directors: (i) a sale or other disposition of 90% or more of the consolidated assets of the Company and its subsidiaries; (ii) a sale or other disposition of 90% of more of the outstanding securities of the Company resulting in a Change of Control; or (iii) a merger, consolidation or similar transaction involving 90% of more of the outstanding securities of the Company, resulting in a Change of Control.

“Change of Control” will occur if any person or “group” of persons becomes the “beneficial owner” (as such terms are used for purposes of Section 13(d) of the U.S. Securities Exchange Act of 1934, as amended), directly or indirectly, of 35% or more of the outstanding share capital of the Company, excluding a reorganization resulting in the Company being held by an entity beneficially owned by the holders of the Company’s share capital immediately prior to the transaction or any Change in Board Event (as defined below).

“Change in Board Event” shall mean any time at which individuals who, as of April 2, 2017, constitute the board of directors (the “Incumbent Board”) cease for any reason to constitute at least a majority of the board of directors; provided, however, that any individual becoming a director subsequent to April 2, 2017 whose election, or nomination for election by the Company’s shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened (in writing) election contest with respect to the election or removal of directors or other actual or threatened (in writing) solicitation of proxies or consents by or on behalf of a person other than the board of directors.

The agreement also includes customary covenants regarding confidentiality, IP assignment, non-competition and non-solicitation.

The employment term is for an indefinite period. During the first 24 months of employment, we may terminate the employment upon nine months’ prior notice and Mr. Gerstel may resign upon six months’ prior notice. Thereafter, we may terminate the employment upon 12 months’ prior notice and Mr. Gerstel may resign upon nine months’ prior notice. During the notice period, Mr. Gerstel will be entitled to all benefits under the employment agreement, including the continued vesting of stock options, even if the Company’s waives its right to continued service. In the event of termination for “Cause” (as defined in the employment agreement), we may terminate the employee without prior notice.

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

C. BOARD PRACTICES

Corporate Governance Practices

We are incorporated in Israel and therefore are subject to various corporate governance practices under the Companies Law, relating to such matters as external directors (or, to the extent applicable, the provisions of the opt-out from external directors), the audit committee, the internal auditor and approvals of interested party transactions. These matters are in addition to the ongoing listing conditions of Nasdaq and other relevant provisions of U.S. securities laws. Under the Nasdaq Listing Rules, a foreign private issuer may generally follow its home country rules of corporate governance in lieu of the comparable Nasdaq

requirements, except for certain matters such as composition and responsibilities of the audit committee. For further information, see “Item 16.G – Corporate Governance.”

Nasdaq Requirements

As required by the Nasdaq Listing Rules, a majority of our directors are "independent directors" as defined in the Nasdaq Listing Rules.

As contemplated by the Nasdaq Listing Rules, we have an audit committee, a compensation committee and a nominating and governance committee, all of whose members are independent directors.

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

Israeli Companies Law

Board of Directors

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

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

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

As of March 9, 2020, our board of directors consists of seven directors Our directors (other than the directors who were in the position of external directors until August 2019) are elected in three staggered classes by the vote of a majority of the ordinary shares present and entitled to vote at meetings of our shareholders at which directors are elected. The members of only one staggered class will be elected at each annual meeting for a three-year term, so that the regular term of only one class of directors expires annually. Our annual meeting of shareholders is required to be held at least once during every calendar year and not more than fifteen months after the last preceding meeting. Effective as of August 2019, and our adoption of the exemption under the Israeli Companies Regulations (Reliefs for Public Companies whose Shares are Listed on a Stock Exchange Outside of Israel), 2000, or the Regulation, ur director in office who was elected and classified as external directors, Ms. Sarit Firon, is no longer classified as such under the Companies Law. The transition rules set forth under the Regulation provide that such directors have the right to remain in office as our directors at their option after the exemption under the Regulation is adopted until the earlier of such directors' original end of term of office or the second annual meeting of shareholders after the adoption of the exemption under the Regulation. Ms. Sarit Firon's term of office expires in January 2020, accordingly our board of directors has re-appointed Ms. Firon with the term of office that expires as of our 2021 annual meeting of shareholders.

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

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

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

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

Under the Companies Law, a person, who is, directly or indirectly subordinated to the chief executive officer of a public company, may not serve as the chairman of its board of directors. In addition, neither the chief executive officer nor his relative is eligible to serve as chairman of the board of directors (and vice versa), unless such nomination was approved by a majority of the company's shareholders for a term not exceeding three years, and either: (i) such majority included the majority of the voting shareholders (shares held by abstaining shareholders are not considered) which are not controlling shareholders and have not personal interest regarding the decision; or (ii) the aggregate number of shares voting against the proposal did not exceed 2% of company voting shareholders. The term can be extended for additional three year terms, in the same manner.

External Directors

Under the Companies Law, Israeli companies whose shares have been offered to the public in or outside of Israel are required to appoint at least two individuals to serve as external directors.

Pursuant to regulations promulgated under the Companies Law, companies with shares traded on a U.S. stock exchange, including the Nasdaq Global Select Market, may, subject to certain conditions, "opt out" from the Companies Law requirements to appoint external directors and related Companies Law rules concerning the composition of the audit committee and compensation committee of the board of directors. In accordance with these regulations, in August 2019, we elected to "opt out" from the Companies Law requirements to appoint external directors and related Companies Law rules concerning the composition of the audit committee and compensation committee of the board of directors (the "Opt-Out").

Under these regulations, the exemptions from such Companies Law requirements will continue to be available to us so long as: (i) we do not have a "controlling shareholder" (as such term is defined under the Companies Law), (ii) our shares are traded on a U.S. stock exchange, including the Nasdaq Global Select Market, and (iii) we comply with the director independence requirements, the audit committee and the compensation committee composition requirements, under U.S. laws (including applicable Nasdaq Rules) applicable to U.S. domestic issuers.

Committees of the Board of Directors

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

Audit Committee

Our audit committee is comprised of Ms. Sarit Firon (Chairperson), Mr. Michael Vorhaus and Mr. Rami Schwartz, and operates pursuant to a written charter.

Nasdaq Requirements

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

Companies Law Requirements

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

Compensation Committee

Pursuant to the Companies Law, the compensation committee of a public company must be comprised of at least three directors, include all of the external directors (and also the chairman is required to be an external director), and any other members must satisfy certain independence standards under the Companies Law. Following the Opt-Out, our compensation committee is comprised of Ms. Sarit Firon (Chairperson), Mr. Rami Schwartz Ms. Joy Marcus, all of whom satisfy the respective "independence" requirements of the Companies Law, SEC and Nasdaq Listing Rules for compensation committee members. Our compensation committee meets at least once each quarter, with additional special meetings scheduled when required.

Our compensation committee is authorized to, among other things, review, approve and recommend to our board of directors base salaries, incentive bonuses, including the specific goals and amounts, stock option grants, employment agreements, and any other benefits, compensation or arrangements of our executive officers and directors. In addition, our compensation committee is required to propose for shareholder approval by a special majority, a compensation policy governing the compensation of office holders based on specified criteria, to review, from time to time, modifications to the said compensation policy and examine its implementation, and to approve the actual compensation terms of office holders prior to approval thereof by the board of directors. Our shareholders adopted a new Compensation Policy for Directors and Officers on February 6, 2020. Our compensation committee also oversees the administration of our Incentive Plan.

Investment Committee

Our investment committee is comprised of Mr. Eyal Kaplan (Chairperson), Ms. Sarit Firon and Mr. Dror Erez. The Investment Committee is responsible for formulating the overall investment policies of the Company, and establishing investment guidelines in furtherance of those policies. The Committee monitors the management of the portfolio for compliance with the investment policies and guidelines and for meeting performance objectives over time as well as assist the board of directors in fulfilling its oversight responsibility for the investment of assets of the company.

Nominating and Governance Committee

Our nominating and governance committee is comprised of Mr. Michael Vorhaus (Chairperson), Mr. Eyal Kaplan, and Ms. Joy Marcus, and operates pursuant to a written charter. It is responsible for making recommendations to the board of directors regarding candidates for directorships and the size and composition of the board. In addition, the committee is responsible for overseeing our corporate governance guidelines and reporting and making recommendations to the board concerning corporate governance matters. Under the Companies Law, nominations for director are generally made by our board of directors but may be made by one or more of our shareholders pursuant to applicable law and our articles of association.

Internal Auditor

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

D. EMPLOYEES

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

	December 31,		
	2017	**2018**	**2019**
Cost of sales	94	76	79
Research and development	117	86	117
Selling and marketing	167	141	136
General and administration	86	60	67
Total	464	363	399

As of December 31, 2019, 149 of our employees were located in Israel, 168 of our employees were located in the United States and 82 employees were located in Europe.

In Israel we are subject to certain labor statutes and national labor court precedent rulings, as well as to some provisions of the collective bargaining agreements. These provisions of collective bargaining agreements apply to our Israeli employees by virtue of extension orders issued in accordance with relevant labor laws by the Israeli Ministry of Economy and Industry, and which apply such provisions under the extension orders to certain or all Israeli employees including our employees even though they are not directly part of a union that has signed a collective bargaining agreement. The laws and labor court rulings that apply to our employees principally concern, among others, minimum wage laws, procedures for dismissing employees, determination of severance pay, leaves of absence (such as annual vacation or maternity leave), sick pay and other conditions for employment. The extension orders which apply to our employees principally concern, among others, the requirement for the length of the workday and the work-week, annual recuperation pay and commuting expenses, and payments to pension funds. As mentioned above, we are required to insure all of our employees by a comprehensive pension plan or a managers' insurance according to the terms and the rates detailed in the order. In addition, Israeli laws determine minimum wages for workers, minimum paid leave or vacation, sick leave, working hours and days of rest, insurance for work-related accidents, determination of severance pay, the duty to give notice of dismissal or resignation and other benefits and terms of employment. We have never experienced a work stoppage, and we believe our relations with our employees are good.

Israeli law generally requires the payment of severance by employers upon the retirement or death of an employee or upon termination of employment by the employer or, in certain circumstances, by the employee. Substantially all of our agreements with employees in Israel contain an arrangement made in accordance with Section 14 of the Severance Pay Law, 1963 ("Section 14"), where our contributions for severance pay are paid in lieu of any severance liability. Upon termination of employment, for any reason, and subject to contribution of the employee's entire monthly salary, and release of the policy to the employee, no additional severance payments are required to be made by us to the employee. Additionally, the related obligation and amounts deposited pursuant to such obligation are not stated on the balance sheet, as we are legally released from any obligation to employees once the deposit amounts have been paid.

Furthermore, Israeli employees and employers are required to pay predetermined sums to the National Insurance Institute, which covers, amongst other benefits, payments for state retirement benefits and survivor benefits (similar to the United States Social Security Administration), as well as state unemployment benefits. These amounts also include payments for national health insurance. The payments to the National Insurance Institute can equal up to approximately 19.6% of wages subject to a cap if an employee's monthly wages exceed a specified amount, of which the employee contributes up to approximately 12% and the employer contributes approximately 7.6%.

E. SHARE OWNERSHIP

Security Ownership of Directors and Executive Officers

The following table sets forth information regarding the beneficial ownership of our ordinary shares as of March 9, 2020 by all of our directors and executive officers as a group and by each officer and director who beneficially owns 1% or more of our outstanding ordinary shares.

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

Except as indicated in the footnotes to this table, each officer and director in the table has sole voting and investment power for the shares shown as beneficially owned by them. Percentage ownership is based on 26,708,705 ordinary shares outstanding as of March 9, 2020 (such amount excludes 115,339 Ordinary Shares held by the Company).

Name	Number of Ordinary Shares Beneficially Owned	Percentage of Ordinary Shares Outstanding
Dror Erez [1]	1,292,755	4.84%
All directors and officers as a group (12 persons) [2]	2,527,038	9.46%

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(1) Based solely upon, and qualified in its entirety with reference to, a Schedule 13G/A filed with the SEC on December 30, 2019 by Mr. Erez. Includes options to purchase 28,748 ordinary shares that are vested or will vest, within 60 days of March 9, 2020.

Mr. Erez serves as a director of the Company. Other than Mr. Dror Erez, all of our directors and executive officers beneficially owned less than 1% of the Company's shares as of such date.
(2) Includes options to purchase 1,263,031 ordinary shares, that are vested or will vest within 60 days of March 9, 2020.

Employee Benefit Plans

The Incentive Plan, our current equity incentive plan, was initially adopted in 2003, providing certain tax benefits in connection with share-based compensation under the tax laws of Israel and the United States. The term of the Incentive Plan will expire on December 9, 2022. Please also see Note 13 to our Financial Statements for information on the options issued under the Incentive Plan.

Under the Incentive Plan, as amended from time to time, we may grant to our directors, officers, employees, consultants, advisers, service providers and controlling shareholders options to purchase our ordinary shares, restricted shares and RSUs. As of December 31, 2019, a total of 4,157,793 ordinary shares were subject to the Incentive Plan. As of March 9, 2020, options to purchase a total of 5,088,885 ordinary shares were outstanding under our Incentive Plan, of which options to purchase a total of 2,080,452 ordinary shares were held by our directors and officers (12 persons) as a group. The outstanding options are exercisable at purchase prices which range from $2.25 to $11.07 per share. Any expired or cancelled options are available for reissuance under the Incentive Plan.

Our Israeli employees and directors may be granted awards under Section 102 ("Section 102") of the Israeli Income Tax Ordinance [New Version], 1961 (the "Ordinance"), which provides them with beneficial tax treatment, and non-employees (such as service providers, consultants and advisers) and controlling shareholders may only be granted awards under section 3(i) of the Ordinance, which does not provide for similar tax benefits. In order to be eligible for tax benefits under Section 102, the securities must be issued through a trustee, and if held by the trustee for the minimum required period, the employees and directors are entitled to defer any taxable event with respect to the award until the earlier of (the "**Exercise Date**") (i) the transfer of securities from the trustee to the employee or director or (ii) the sale of securities to a third party. Our board of directors has resolved to elect the "Capital Gains Route" (under Section 102) for the grant of awards to Israeli grantees under the Company's incentive plan. Based on such election, and subject to the fulfillment of the conditions of Section 102, under the Capital Gains Route, gains realized from the sale of shares issued pursuant to the Incentive Plan will generally be taxed at the capital gain tax rate of 25%, provided the trustee holds the securities for 24 months following the date of grant of the award. To the extent the conditions of Section 102 are not met, tax will be payable at the Exercise Date at the marginal income tax rate applicable to the employee or director (47% in 2019 and additional National Security contributions). In addition, in certain circumstances, an excess tax of 3% will be imposed as well. We are not entitled to deduct for Israeli tax purposes the expenses recorded with respect to grant of awards on the "Capital Gains Route." However, in case the employee has an ordinary income component under section 102(b)(3) of the Ordinance, that component is deductible by the company for tax purposes. The voting rights of any shares held by the trustee under Section 102 remain with the trustee.

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

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

See "Item 6.B Compensation" for a description of awards granted under the Incentive Plan to our directors and officers in 2019.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. SHAREHOLDERS

The following table sets forth information with respect to the beneficial ownership of our shares as of March 9, 2020, by each person or entity known by us to beneficially own 5% or more of our outstanding Ordinary Shares.

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

For the purpose of calculating the percentage of shares beneficially owned by any shareholder, this table lists the applicable percentage ownership based on 26,708,705 Ordinary Shares issued and outstanding as of March 9, 2020 (such amount excludes 115,339 Ordinary Shares held by the Company).

Except as indicated in the footnotes to this table, to our knowledge, each shareholder in the table have voting and investment power for the shares shown as beneficially owned by such shareholder, except to the extent the power is shared by spouses under community property law. Our major shareholders do not have different voting rights than our other shareholders.

Name of Beneficial Owner	Shares Beneficially Owned	
	Number	Percentage
Benchmark Israel II, L.P.[1]	3,096,296	11.59%
Zack and Orli Rinat[2]	2,161,449	8.09%
Renaissance Technologies LLC[3]	1,818,025	6.81%
EA2K Ltd.[4]	1,800,000	6.74%

(1) Based solely upon, and qualified in its entirety with reference to, a Schedule 13G/A filed with the SEC on February 11, 2019, by Benchmark Israel II, L.P. (“BI II”) and affiliates. BCPI Partners II, L.P. (“BCPI-P”), the general partner of BI II, may be deemed to have sole power to vote and dispose of the 3,096,296 Ordinary Shares directly held by BI II. BCPI Corporation II (“BCPI-C”), the general partner of BCPI-P, may be deemed to have sole power to vote and dispose of the shares directly held by BI II. Michael A. Eisenberg and Arad Naveh, the directors of BCPI-C, may be deemed to have shared power to vote and dispose of the shares directly held by BI II. 94,294 Ordinary Shares are held in nominee form for the benefit of persons associated with BCPI-C. BCPI-P may be deemed to have sole power to vote and dispose of these shares, BCPI-C may be deemed to have sole power to vote and dispose of these shares and Messrs. Eisenberg and Naveh may be deemed to have shared power to vote and dispose of these shares. The Address of BI II is 2965 Woodside Road Woodside, California 94062s.

(2) Based solely upon, and qualified in its entirety with reference to, a Schedule 13G filed with the SEC on January 16, 2014, by Zack and Orli Rinat. The Ordinary Shares are held by Zack Rinat and Orli Rinat as community property. The address of Zack and Orli Rinat is 26319 Esperanza Drive Los Altos Hills, CA.

(3) Based solely upon, and qualified in its entirety with reference to, a Schedule 13G filed with the SEC on February 12, 2020, by Renaissance Technologies LLC (“RTC”) and Renaissance Technologies Holdings Corporation (“RTHC”). RTHC owns the majority of the membership interests of RTC. As the holder of the majority of the membership interests of RTC, RTHC has shared voting or dispositive power over the 1,818,025 Ordinary Shares held by RTC. The address of each of RTC and RTHCS is 800 Third Avenue New York, New York 10022.

(4) Based solely upon, and qualified in its entirety with reference to, a Schedule 13G/A filed with the SEC on January 30, 2019, by EA2K Ltd. (“EA2K”). Baruch Erlich controls EA2K, and by reason of such control may be deemed to have shared power to vote and dispose of the 1,800,000 Ordinary Shares directly held by EA2K. The Address of each of EA2K and Baruch Erlich is 12 Mevo Habustan St. Har Adar 90836, Israel.

To our knowledge, the significant changes in the percentage of ownership held by our major shareholders during the past three years preceding the date of this annual report on Form 20-F have been: (i) the increase in the percentage of ownership held by Renaissance Technologies LLC and Renaissance Technologies Holdings Corporation above 5% in 2019 (ii) the decrease in the percentage of ownership held by Dror Erez below the 5% during the year 2019; (iii) the decrease in the percentage of ownership held by Ronen Shilo below the 5% during the year 2019; (iv) the decrease in the percentage of ownership held by J.P. Morgan Investment Management Inc., Digital Growth Fund L.P. and Project Condor LLC below the 5% during the year 2019.

To our knowledge, as of March 9, 2020, we had 10 shareholders of record of which 9 (excluding the Depository Trust Company) were registered with addresses in the United States. These U.S. holders were, as of such date, the holders of record of approximately 0.3% of our outstanding shares. The number of record holders in the United States is not representative of the number of beneficial holders nor is it representative of where such beneficial holders are resident since many of these ordinary shares were held of record by brokers or other nominees.

B. RELATED PARTY TRANSACTIONS

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

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

The following is a description of some of the transactions with related parties to which we are party and which were in effect within the past three fiscal years. The descriptions provided below are summaries of the terms of such agreements and do not purport to be complete and are qualified in their entirety by the complete agreements.

Indemnification Agreements

Our articles of association permit us to exculpate, indemnify and insure our directors and officeholders to the fullest extent permitted by the Companies Law. We have obtained directors’ and officers’ insurance for each of our officers and directors and have entered into indemnification agreements with all of our current officers and directors.

We have entered into indemnification and exculpation agreements with each of our current office holders and directors exculpating them to the fullest extent permitted by the law and our articles of association and undertaking to indemnify them to the fullest extent permitted by the law and our articles of association, including with respect to liabilities resulting from this annual report, to the extent such liabilities are not covered by insurance. See also “Item 10B. — Exculpation, Insurance and Indemnification of Directors and Officers.” in this annual report on Form 20-F.

Employment and Consulting Agreements

We have or have had employment, consulting or related agreements with each member of our senior management. For more information on employment and consulting agreements see “Item 6B. — Compensation” in this annual report on Form 20-F.

C. INTERESTS OF EXPERTS AND COUNSEL

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

Our Financial Statements are included in this annual report pursuant to Item 18.

Legal Proceedings

On November 7, 2012, we entered into a Share Purchase Agreement with SweetIM Ltd., SweetIM Technologies Ltd., the shareholders of SweetIM and Nadav Goshen, as Shareholders’ Agent, according to which we purchased 100% of the issued and outstanding shares of SweetIM Ltd. Under the terms of the Share Purchase Agreement, among other things, a third payment of up to $7.5 million in cash was due in May 2014, if certain milestones were met. The milestones are based on our revenues in the fiscal year of 2013 and the absence of certain changes in the industry in which we operate. We believe that that the terms of the Share Purchase Agreement require us to pay only $2.5 million with respect to the contingent payment, which we have paid. However, the Shareholders’ Agent has demanded payment of an additional $5.0 million. We believe that the claim is without merit and we are defending against it vigorously. Until this dispute is resolved, we will maintain the $5.0 million liability in our financial statements that we recorded at the time that we entered into the Share Purchase Agreement. In April 2015, pursuant to the Share Purchase Agreement, an arbitration process with respect to this claim was commenced in Israel. Based on the August 2018 ruling of the arbitrator, the remaining balance of the Contingent Payment was paid to SweetIM's shareholders in 3 equal installments, the last of which was paid during January 2019.

On December 22, 2015, Adtile Technologies Inc. (“Adtile”) filed a lawsuit against Perion and its wholly-owned subsidiary, Intercept Interactive Inc. (“Intercept”) in the United States District Court for the District of Delaware. The lawsuit alleges various causes of action against Perion and Intercept related to Intercept’s alleged unauthorized use and misappropriation of Adtile’s proprietary information and trade secrets. Adtile is seeking injunctive relief and unspecified monetary damages. We are unable to predict the outcome or range of possible loss at this stage. On June 23, 2016, the court denied Adtile’s motion for a preliminary injunction. On June 24, 2016, the court (i) granted Perion’s motion to dismiss and (ii) granted Intercept’s motion to stay the action and compel arbitration. As of the date of this report, Adtile had not commenced an arbitration proceeding and the court dismissed the case for administrative reasons. We believe that we have strong defenses against this lawsuit and we intend to defend against it vigorously if the case is ever resubmitted.

Policy on Dividend Distribution

It is currently our policy not to distribute dividends.

B. SIGNIFICANT CHANGES

Since the date of our audited Financial Statements incorporated by reference in this report, there have not been any significant changes other than as set forth in note 20 to our Financial Statements."

ITEM 9. THE OFFER AND LISTING

A. OFFER AND LISTING DETAILS

Our ordinary shares have been listed on the Nasdaq Stock Market since January 2006. Our ordinary shares commenced trading on the TASE on December 4, 2007. Our trading symbol on Nasdaq is "PERI" and on TASE is "PERION."

B. PLAN OF DISTRIBUTION

Not applicable.

C. MARKETS

See "—Listing Details" above.

D. SELLING SHAREHOLDERS

Not applicable.

E. DILUTION

Not applicable.

F. EXPENSES OF THE ISSUE

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. SHARE CAPITAL

Not applicable

B. MEMORANDUM AND ARTICLES OF ASSOCIATION

A copy of our amended and restated articles of association is attached as Exhibit 1.1 to this annual report on Form 20-F. The information called for by this Item is set forth in Exhibit 2.1 to this annual report on Form 20-F and is incorporated by reference into this annual report on Form 20-F.

C. MATERIAL CONTRACTS

Acquisition of Content IQ

On January 14, 2020, we entered into and consummated an agreement for the acquisition of all the shares of content IQ, a privately held company founded in 2014, based in New York City with offices in Tel Aviv, and 51 employees. Content IQ has created data algorithm and analytics tools that deconstruct content, revenue and distribution to solve digital publishing challenges. The acquisition was made for a total consideration of $73.05 million, of which $15 million in cash was paid upon closing, with an additional maximum $11 million will be paid as a retention incentive. As part of the total consideration, there is a maximum of $47.05 million in earn-outs over a period of two years. The earn-outs are tied to revenue and EBITDA-based metrics that would be paid in full if Content IQ generates $158 million in revenues and more than $17 million of EBITDA in

aggregate, over the next two years. The agreement also contains customary representations, warranties, covenants and indemnification provisions.

Search Services Agreement with Microsoft

In October 2017, we entered into a renewed agreement with Microsoft Ireland Operations Limited effective as of January 1, 2018 until December 31, 2020 which includes desktop and tablet distribution with limited exclusivity in the United States, as well as mobile distribution.

Bank Mizrahi Credit Facility

On May 10, 2017, ClientConnect executed a credit facility with Mizrahi Tefahot Bank Ltd. (“Bank Mizrahi”), an Israeli bank, pursuant to which ClientConnect was permitted to borrow up to $17.5 million. This facility was repaid in full from the proceeds of the new Bank Mizrahi facility.

On December 17, 2018, ClientConnect executed a new loan facility with Bank Mizrahi in the amount of $25 million. Proceeds of the loan facility were applied to the refinancing of existing debt of ClientConnect with Bank Mizrahi as well as existing debt of Undertone with SunTrust Bank.

Principal on the loan is payable in twelve equal quarterly instalments since March 2019. Interest on the loan at the rate of three-month LIBOR plus 5.7% per annum is payable quarterly. The credit facility is scheduled to mature in December 2021.

The credit facility is secured by liens on the assets ClientConnect of and Undertone and is guaranteed by Perion and Undertone. Each such guarantee is limited in amount to $33 million. Financial covenants for the loan facility are tested at the level of Perion on a consolidated basis.

The major financial covenants under the Bank Mizrahi credit facility are as follows:

- shareholders’ equity of at least $80 million at the end of each quarter;
- ratio of net financial indebtedness to twelve-month EBITDA of not more than 2.25 at the end of each quarter; and
- maintenance at all times of cash and cash equivalents in an amount equal to the lesser of (i) $10 million and (ii) the amount of the following payment of principal and interest.

As of December 31, 2019, the balance of the loan was $16.7 million out of which $8.3 million was classified as long-term debt and $8.3 million as current maturities.

As of December 31, 2019, we were in compliance with all of the foregoing covenants.

D. EXCHANGE CONTROLS

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

E. TAXATION

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

ISRAELI TAXATION

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

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

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

General Corporate Tax Structure in Israel

Taxable income of Israeli companies is generally subject to corporate tax at the rate of 23% for the 2019 tax year. Under an amendment to the Israeli Income Tax Ordinance, the corporate tax rate was decreased to 23% for 2018 and thereafter. However, the effective tax rate payable by a company that derives income from a Preferred Enterprise (as further discussed below) may be considerably lower.

Under Israeli tax legislation, a corporation is considered as an "Israeli resident company" under the Ordinance if it meets one of the following: (i) it was incorporated in Israel; or (ii) the control and management of its business are exercised in Israel.

Foreign Currency Regulations

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

Law for the Encouragement of Capital Investments, 1959

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

The Israeli parliament enacted a reform to the Investment Law, effective January 2011 (the "2011 Amendment"). The reform introduced new benefits instead of the benefits granted in accordance with the provisions of the Investment Law in effect prior to the 2011 Amendment. However, companies entitled to benefits under the Investment Law in effect up to January 1, 2011, which were referred to as an Approved Enterprise and Benefited Enterprise, were entitled to choose to continue to enjoy such benefits, provided that certain conditions are met, or elect instead, irrevocably, to forego such benefits and elect the benefits of the 2011 Amendment. The 2017 Amendment introduces new benefits for Technological Enterprises, alongside the existing tax benefits. According to the 2011 Amendment, a flat rate tax applies to companies eligible for the "Preferred Enterprise" status. In order to be eligible for Preferred Enterprise status, a company must meet minimum requirements to establish that it contributes to the country's economic growth and is a competitive factor for the Gross Domestic Product (a competitive enterprise).

We elected "Preferred Enterprise" status commencing in 2011. We believe that our Israeli subsidiary qualified as a "Preferred Technological Enterprise" in 2017, 2018 and 2019 and was subject to a lower tax rate of 12% according to Amendment 73 to the Law, as described below.

Benefits granted to a Preferred Enterprise include reduced tax rates. In peripheral regions (Development Area A) the reduced tax rate was 9% in 2015 and 2016. Under an amendment to the Investment Law enacted in December 2016, the reduced tax rate was decreased to 7.5% starting from 2017 and thereafter. In other regions the tax rate was 16% in 2015 and thereafter. Preferred Enterprises in peripheral regions will be eligible for grants from the Israeli Authority for Investments and Development of the Industry and Economy (the "Investment Center"), as well as the applicable reduced tax rates.

A dividend distribution from a Preferred Enterprise out of the "Preferred Income" would be subject to 20% withholding tax for Israeli-resident individuals and non-Israeli residents (or a reduced rate under an applicable double tax treaty subject to the receipt in advance of a valid certificate from the ITA allowing for a reduced tax rate). Dividend distributions out of "Preferred Income" to an Israeli company, are not subject to withholding tax.

A dividend distribution from income derived from Approved or Beneficiary Enterprise are subject, under certain conditions, to withholding at the rate of 15%. Nonetheless, a company that elected to waive its Beneficiary Enterprise or Approved Enterprise status, which relate to tax incentive programs afforded under the Investment Law prior to the 2011 Amendment, through June 30, 2015, will be entitled to distribute income generated by the Approved/Beneficiary Enterprise to its Israeli corporate shareholders exempt from withholding tax. A dividend distribution out of income attributed to its Beneficiary Enterprise or Approved Enterprise during the tax Exemption Period, will be subject to corporate tax in respect of the amount of the dividend distributed (grossed-up to reflect the pre-tax income that it would have had to earn in order to distribute the dividend) at the corporate tax rate which would have otherwise been applicable.

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

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

In December 2016, the Economic Efficiency Law (Legislative Amendments for Applying the Economic Policy for the 2017 and 2018 Budget Years), 2016, which includes Amendment 73 to the Law for the Encouragement of Capital Investments, was published. Amendment 73 prescribes special tax routes for technological enterprises as described below, and is in addition to the other existing tax beneficial programs under the Investment Law.

New Tax benefits under Amendment 73 that became effective on January 1, 2017.

Amendment 73 was enacted as part of the Economic Efficiency Law that was published on December 29, 2016, and was pending the publication of regulations, in May 2017 regulations were promulgated by the Finance Ministry to implement the "Nexus Principles" based on OECD guidelines published as part of the Base Erosion and Profit Shifting (BEPS) project. Following the publication of the regulations the 2017 Amendment became fully effective. Amendment 73 provides new tax benefits for two types of "Technology Enterprises", as described below, and is in addition to the other existing tax beneficial programs under the Investment Law.

Amendment 73 applies to "Preferred Technology Enterprise" that meet certain condition, including all of the following:

- A company's average R&D expenses in the three years prior to the current tax year must be greater than or equal to 7% of its total revenue or exceed NIS 75 million (approximately $21 million) per year; and

- A company must also satisfy one of the following conditions: (1) at least 20% of the workforce (or at least 200 employees) are employed in R&D; (2) a venture capital investment of an amount approximately equivalent to at least $2 million was previously made in the company; or (3) growth in sales or workforce by an average of 25% over the three years preceding the tax year.

A "Special Preferred Technological Enterprise" is an enterprise that meets conditions one and two above, and in addition is a part of a group of companies that have total annual consolidated revenues above NIS 10 billion (approximately $2.8 billion).

A "Preferred Technology Enterprise" satisfying the required conditions will thereby enjoy a reduced corporate tax rate of 12% on income that qualifies as "Preferred Technology Income," as defined in the Investment Law. The tax rate is further reduced to 7.5% for a Preferred Technology Enterprise located in development zone A. In addition, a Preferred Technology Enterprise will enjoy a reduced corporate tax rate of 12% on capital gain derived from the sale of certain "Benefitted Intangible Assets" (as defined in the Investment Law) to a related foreign company if the Benefitted Intangible Assets were acquired from a foreign company on or after January 1, 2017 for at least NIS 200 million, and the sale receives prior approval from the National Authority for Technological Innovation (previously known as the Israeli Office of the Chief Scientist), to which we refer as IIA.

A "Special Preferred Technology Enterprise" satisfying the required conditions, will thereby enjoy a reduced corporate tax rate of 6% on "Preferred Technology Income" regardless of the company's geographic location within Israel. In addition, a Special Preferred Technology Enterprise will enjoy a reduced corporate tax rate of 6% on capital gain derived from the sale of certain "Benefitted Intangible Assets" to a related foreign company if the Benefitted Intangible Assets were either developed by the Special Preferred Technology Enterprise or acquired from a foreign company on or after January 1, 2017, and the sale received prior approval from NATI. A Special Preferred Technology Enterprise that acquires Benefitted Intangible Assets from a foreign company for more than NIS 500 million will be eligible for these benefits for at least ten years, subject to certain approvals as specified in the Investment Law.

Dividends distributed by a Preferred Technology Enterprise or a Special Preferred Technology Enterprise, paid out of Preferred Technology Income, are generally subject to withholding tax at source at the rate of 20% or such lower rate as may be provided in an applicable tax treaty (subject to the receipt in advance of a valid certificate from the Israel Tax Authority allowing for a reduced tax rate). However, if such dividends are paid to an Israeli company, no tax is required to be withheld. If more than 90% of the Preferred Technology Enterprise or Special Preferred Technology Enterprise are held by foreign shareholders and other conditions are met, such dividends, distributed to a foreign company, will be subject to a 4% withholding tax rate (or a lower rate under a tax treaty, if applicable, subject to the receipt in advance of a valid certificate from the Israel Tax Authority allowing for a reduced tax rate).

We believe that our Israeli subsidiary qualifies as a "Preferred Technological Enterprise" in 2017, 2018 and 2019 and was subject to a lower tax rate of 12% according to Amendment 73 to the Law, as described above.

Law for the Encouragement of Industry (Taxes), 1969

We believe that we currently qualify as an "Industrial Company" within the meaning of the Law for the Encouragement of Industry (Taxes), 1969, or the Industry Encouragement Law. The Industry Encouragement Law defines "Industrial Company" as a company resident of Israel which was incorporated in Israel, of which 90% or more of its income in any tax year, other than of income from defense loans, , is derived from an "Industrial Enterprise" owned by it and located in Israel or in the "Area", in accordance with the definition in section 3a of the Ordinance. An "Industrial Enterprise" is defined as an enterprise whose major activity in a given tax year is industrial production.

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

- Amortization of the cost of purchased know-how, patents, and right to use patent or know how, which are used for the development or promotion of the Industrial Enterprise, over an eight-year period;
- Accelerated depreciation rates on equipment and buildings;
- Under specified conditions, an election to file consolidated tax returns with additional related Israeli Industrial Companies; and
- Deduction of expenses related to a public offering in equal amounts over three years.

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

Transfer Pricing

In accordance with Section 85A of the Ordinance and the regulations promulgated under it, an international transaction (where at least one party is a non-Israeli or the income from such transaction, in whole or in part, is taxable income abroad as well as in Israel) of which the parties are related (including relations between a person and their relative, and also control of one party to the transaction over the other, control of one person over the parties to the transaction, whether direct or indirect, alone or together with another), and due to this relationship the price set for an asset, right, service or credit was determined or other conditions for the transaction were set such that a smaller profit was realized rather than what would have been realized, if the price or the conditions had been set between parties that are not related (the "Market Terms"), then such transaction shall be reported in accordance with the Market Terms. The assessment of whether a transaction falls under the aforementioned definition shall be implemented in accordance with one of the procedures mentioned in the regulations and is based, among others, on comparisons of characteristics which portray similar transactions in ordinary market conditions, such as profit, the area of activity, nature of the asset, the contractual conditions of the transaction and according to additional terms and conditions specified in the regulations.

Taxation of our Shareholders

Taxation on Dividends to Israeli Resident Shareholders. Dividends paid to Israeli individuals, from income, which is not attributed to a Preferred Enterprise, are generally subject to 25% withholding tax. However, with respect to an Israeli individual who is a "Substantial Shareholder" (which is someone who alone, or together with another person who collaborates with such person on a permanent basis, holds, directly or indirectly, at least 10% in one or all of any of the means of control in the corporation) at the time of receiving the dividend or on any date in the preceding 12 months, the applicable withholding tax rate is 30%.

Dividends distributed to Israeli individuals from taxable income attributed to Preferred Enterprise are subject to withholding tax at the rate of 20%. If the dividend is attributable partly to income derived from a Preferred Enterprise, and partly to other sources of income, the withholding rate will be a blended rate reflecting the relative portions of the two types of income.

Israeli resident corporations are generally exempt from Israeli corporate tax for dividends paid on shares of Israeli resident corporations provided the income from which such dividend is distributed was derived or accrued within Israel.

Capital Gains Taxes Applicable to Israeli Resident Shareholders. An individual is subject to a 25% tax rate on real capital gains derived from the sale of shares, as long as the individual is not a "Substantial Shareholder" in the company issuing the shares.

A Substantial Shareholder will be subject to tax at a rate of 30% in respect of real capital gains derived from the sale of shares (that were purchased after January 1, 2012, whether listed on a stock exchange or not) issued by a company in which he or she is a Substantial Shareholder at the time of sale or at any time during the preceding 12 months period.

Israeli corporations are generally subject to the corporate tax rate (23% in 2019) on capital gains derived from the sale of shares.

Capital Gains Taxes Applicable to Non-Israeli Resident Shareholders.

Israeli capital gain tax is imposed on the disposal of capital assets by a non-Israeli resident if those assets are either (i) located in Israel; (ii) are shares or a right to a share in an Israeli resident corporation, or (iii) represent, directly or indirectly, rights to assets located in Israel, unless a specific exemption is available or unless a tax treaty between Israel and the shareholder's country of residence provides otherwise.

Shareholders that are not Israeli residents may be exempt from Israeli capital gains tax on gains derived from the sale, exchange or disposition of our ordinary shares that are listed for trading on a non-Israel stock exchange, to the extent that the following cumulative conditions are met: (i) the shares were purchased upon or after the registration of the securities on the stock exchange, (ii) the seller does not have a permanent establishment in Israel to which the derived capital gain is attributed, and (iii) the capital gains are neither subject to section 101 of the Ordinance, nor to the Israeli Income Tax Law (Inflationary Adjustments) 5745-1985.

Shareholders that are not Israeli residents may be exempt from Israeli capital gains tax on gains derived from the sale, exchange or disposition of our ordinary shares that are listed for trading on TASE if the capital gain is not in their permanent enterprise in Israel; if the day of acquisition of the share was before the day on which it was listed for trading on an exchange, and if – had it been sold before the said listing – the non-Israeli resident would not have been entitled to an exemption in respect to shares in a private company, then the part of the capital gain that would have accrued if the share had been sold on the day before it was listed for trading on the exchange and not more than the amount of the capital gain on the day on which the share was sold shall be charged tax at the rate under the Ordinance, on condition that its value on the day of its listing was greater than its value on the day of its acquisition and that the consideration on the day of its sale was greater than its value on the day of its acquisition.

However, non-Israeli corporations will not be entitled to the foregoing exemptions if Israeli residents (i) have a controlling interest of more than 25% in such non-Israeli corporation, or (ii) are the beneficiaries of or are entitled to 25% or more of the revenues or profits of such non-Israeli corporation, whether directly or indirectly. In certain instances, where our shareholders may be liable to Israeli tax on the sale of their ordinary shares, the payment of the consideration may be subject to the withholding of Israeli tax at the source.

Additionally, a sale of shares may be exempt from Israeli capital gains tax under the provisions of an applicable tax treaty (subject to the receipt in advance of a valid certificate from the ITA). For example, Under the U.S.-Israel Tax Treaty, the sale, exchange or disposition of our ordinary shares by a shareholder who is a U.S. resident (for purposes of the U.S.-Israel Tax Treaty) holding the ordinary shares as a capital asset is exempt from Israeli capital gains tax unless either (i) the shareholder holds, directly or indirectly, shares representing 10% or more of the voting power of the company during any part of the 12-month period preceding such sale, exchange or disposition, or (ii) the capital gains arising from such sale are attributable to a permanent establishment of the shareholder located in Israel, or (iii) the seller, if an individual, has been present in Israel for 183 days or more than (in the aggregate), during the taxable year.

Upon the purchase of securities, the stockbrokers who effected the transaction or the financial institution holding the traded securities through which payment to the seller is made are obligated to withhold Israeli tax at source from such payment. Shareholders may be required to demonstrate that they are exempt from tax on their capital gains in order to avoid withholding at

source at the time of sale. Specifically, in transactions involving a sale of all of the shares of an Israeli resident company, in the form of a merger or otherwise, the ITA may require from shareholders who are not liable for Israeli tax to sign declarations in forms specified by this authority or obtain a specific exemption from the ITA to confirm their status as non-Israeli resident.

Taxation of Non-Israeli Shareholders on Receipt of Dividends. Non-residents of Israel are generally subject to Israeli income tax on the receipt of dividends paid on our ordinary shares at the rate of 25%, 30% for a substantial shareholder, or 20% if the dividend is distributed from income attributed to Preferred Enterprise, which tax will be withheld at source. Such rates may be reduced by the application of the provisions of applicable double tax treaties (subject to the receipt in advance of a valid certificate from the ITA allowing for a reduced tax rate). If the dividend is attributable partly to income derived from a Preferred Enterprise, and partly to other sources of income, the withholding rate will be a blended rate reflecting the relative portions of the two types of income.

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

Excess Tax. Individuals who are subject to tax in Israel, whether as an Israeli resident or a non-Israeli resident, are also subject to an additional tax at a rate of 3% on annual taxable income exceeding 640,000 in 2017,NIS 641,880 in 2018 and NIS 649,560 in 2019, which amount is linked to the Israeli consumer price index, including, but not limited to, dividends, interest and capital gain.

U.S. FEDERAL INCOME TAX CONSIDERATIONS

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

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

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

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

- insurance companies;
- dealers in stocks, securities or currencies;
- financial institutions and financial services entities;
- regulated investment companies or real estate investment trusts;

- grantor trusts;
- S corporations;
- persons that acquire ordinary shares upon the exercise of employee stock options or otherwise as compensation;
- tax-exempt organizations;
- persons that hold ordinary shares as a position in a straddle or as part of a hedging, conversion or other integrated instrument;

- individual retirement and other tax-deferred accounts;
- certain former citizens or long-term residents of the United States;
- persons (other than Non-U.S. Holders) having a functional currency other than the U.S. dollar; and
- persons that own directly, indirectly or constructively 10% or more of our voting shares.

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

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

Distributions Paid on the Ordinary Shares

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

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

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

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

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

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

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

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

Disposition of Ordinary Shares

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

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

Net Investment Income Tax

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

Passive Foreign Investment Company Considerations

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

If we were classified as a PFIC, a U.S. Holder could be subject to increased tax liability upon the sale or other disposition of ordinary shares or upon the receipt of amounts treated as "excess distributions." Under these rules, the excess distribution and any gain from the sale or disposition would be allocated ratably over the U.S. Holder's holding period for the ordinary shares, and the amount allocated to the current taxable year and any taxable years prior to the first taxable year in which we were a PFIC would be taxed as ordinary income. The amount allocated to each of the prior taxable years in which we were a PFIC would be subject to tax at the highest marginal rate in effect for the applicable class of taxpayer for that year, and an interest charge for the deemed deferral benefit would be imposed on the resulting tax allocated to such prior taxable years. The tax liability with respect to the amount allocated to taxable years prior to the year of the disposition, or "excess distribution," cannot be offset by any net operating losses. In addition, holders of stock in a PFIC may not receive a "step-up" in basis on shares acquired from a decedent.

U.S. Holders who hold ordinary shares during a period when we are a PFIC will be subject to the foregoing rules even if we cease to be a PFIC. Unless otherwise provided by the IRS, if a non-U.S. corporation is a PFIC, a U.S. Holder generally is required to file an annual informational return with the IRS.

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

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

Based on our income, assets, activities and market capitalization, we do not believe that we were a PFIC for the taxable year ended December 31, 2019 for U.S. federal income tax purposes. Our belief that we were not a PFIC for the 2019 taxable year is based on our estimate of the fair market value of our assets, including our intangible assets and goodwill, which are reflected in our financial statements under U.S. GAAP. In calculating the value of our assets, we value our total assets, in part, based on our total market capitalization. We believe this valuation approach is reasonable. However, there can be no assurances that the IRS could not successfully challenge our valuations or methods, which could result in our classification as a PFIC. While we intend to manage our business so as to avoid PFIC status, to the extent consistent with our other business goals, we cannot predict whether our business plans will allow us to avoid PFIC status or whether our business plans will change in a manner that affects our PFIC status determination. In addition, because the market price of our ordinary shares is likely to fluctuate and because that market price may affect the determination of whether we will be considered a PFIC, we cannot be certain that we will not be a PFIC in 2020 or become a PFIC in any other future taxable year.

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

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

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

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

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

Information Reporting and Backup Withholding

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

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

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

F. DIVIDENDS AND PAYING AGENTS

Not applicable.

G. STATEMENT BY EXPERTS

Not applicable.

H. DOCUMENTS ON DISPLAY

We are subject to the informational requirements of the Exchange Act that are applicable to foreign private issuers, and under those requirements file reports with the SEC. Those other reports or other information may be inspected without charge at the locations described above. As a foreign private issuer, we are exempt from the rules under the Exchange Act related to the furnishing and content of proxy statements, and our officers, directors and principal shareholders will be exempt from the reporting and 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 annual, quarterly and current reports and financial statements with the SEC as frequently or as promptly as United States companies whose securities are registered under the Exchange Act. However, we will file with the SEC, within 120 days after the end of each subsequent fiscal year, or such applicable time as required by the SEC, an annual report on Form 20-F containing financial statements audited by an independent registered public accounting firm, and will submit to the SEC reports on Form 6-K containing unaudited quarterly financial information.

Our filings with the SEC are also available to the public through the SEC's website at http://www.sec.gov. This site contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. The information on that website is not part of this annual report and is not incorporated by reference herein.

I. SUBSIDIARY INFORMATION

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Exchange Rate Risk. A portion of our revenues and expenses are denominated in foreign currencies. As a result, numerous balances are denominated or linked to these currencies. Foreign currency related fluctuations resulted in $0.2 million net gains in 2017, $1.0 million net gains in 2018 and $1.0 million net losses in 2019, respectively. These gains are included in financial expenses, net, as presented in our statements of income.

As of December 31, 2019, balance sheet financial items in U.S. dollars, our functional currency, and those currencies other than the U.S. dollars were as follows:

	U.S. dollars	NIS	Other Currencies	Total
	In thousands of U.S. dollars			
Current assets	110,070	1,247	3,790	115,107
Long-term assets	5,551	366	962	6,879
Current liabilities	(74,435)	(1,594)	(3,091)	(79,120)
Long-term liabilities	(20,946)	(9,324)	(5,016)	(35,286)
Total	20,240	(9,305)	(3,355)	7,580

The fair value of the outstanding derivative instruments and the notional amount of the designed and not designed as hedging as of December 31, 2019 were as follows:

	Notional Amount	Fair Value
	In thousands of U.S. dollars	
Forward contracts to hedge payroll expenses	3,918	73

In addition, in territories where our prices are based on local currencies, fluctuations in the dollar exchange rate could affect our gross profit margin. We may compensate for such fluctuations by changing product prices accordingly. We also hold a small part of our financial investments in other currencies, mainly NIS and Euro. The dollar value of those investments may decline. A revaluation of 1% of the foreign currencies (i.e. other than U.S. dollar) would not have a material effect on our income before taxes possibly reducing it by $0.2 million.

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

	Year Ended December 31,		
	2017	**2018**	**2019**
Average rate for period	3.599	3.597	3.564
Rate at year-end	3.467	3.748	3.456

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

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

None.

ITEM 15. CONTROLS AND PROCEDURES

(a) **Disclosure controls and procedures**

Our interim chief executive officer and chief financial officer, after evaluating the effectiveness of our disclosure controls and procedures as of December 31, 2019, have concluded that, as of such date, our disclosure controls and procedures were effective and ensured that information required to be disclosed by us in reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our interim chief executive officer and chief financial officer, to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms.

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

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting and has assessed the effectiveness of our internal control over financial reporting as of December 31, 2019. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in "Internal Control – Integrated Framework" (2013 framework). Our management has concluded, based on its assessment, that our internal control over financial reporting was effective as of December 31, 2019.

(c) **Attestation Report of the Registered Public Accounting Firm**

Kost Forer Gabbay & Kasierer, an independent registered accounting firm and a member firm of Ernst & Young, has issued an attestation report on the effectiveness of our internal control over financial reporting, as stated in their report included herein. See "Report of Independent Registered Public Accounting Firm" on page F-3.

(d) **Changes in internal control over financial reporting**

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

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has determined that Ms. Sarit Firon, who is an independent director (as defined in the Nasdaq Listing Rules) and serves as our chairperson of the audit committee, qualifies as an "audit committee financial expert" as defined in Item 16A of Form 20-F.

ITEM 16B. CODE OF ETHICS

Our board of directors has adopted a code of business conduct and ethics (which was amended in February 2017) applicable to all of our directors, officers and employees as required by the Nasdaq Listing Rules, which also complies with the definition of a "code of ethics" set out in Section 406(c) of the Sarbanes-Oxley Act of 2002. A copy of the code of ethics can be found on our website at: http://www.perion.com/governance-documents. We granted no waivers under our code of business conduct and ethics in 2019.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

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

	2018	2019
Audit Fees	$ 480	$ 610

Tax Fees	35	240
Audit Related fees	18	187
Total	$ 533	$ 1,037

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

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

Audit-related fees principally include assistance with audit services and consultations.

Our audit committee provides assistance to our board of directors in fulfilling its legal and fiduciary obligations in matters involving our accounting, auditing, financial reporting, internal control and legal compliance functions by pre-approving the services performed by our independent accountants and reviewing their reports regarding our accounting practices and systems of internal control over financial reporting. Our audit committee also oversees the audit efforts of our independent accountants and takes those actions that it deems necessary to satisfy itself that the accountants are independent of management. Our audit committee has authorized all auditing and non-auditing services provided by our independent accountants during 2018 and 2019 and the fees paid for such services.

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

None.

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

Not applicable.

ITEM 16F. CHANGE IN REGISTRANT’S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

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

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

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

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

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

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

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

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

Not applicable.

ITEM 18. FINANCIAL STATEMENTS

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

PERION NETWORK LTD. AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2019

IN U.S. DOLLARS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of directors of Perion Network Ltd.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Perion Network Ltd. and subsidiaries ("the Company") as of December 31, 2019 and 2018, the related consolidated statements of income (loss), comprehensive income (loss), changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, 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) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 16, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

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

We have served as the Company‘s auditor since 2004.
Tel-Aviv, Israel
March 16, 2020

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Perion Network Ltd.

Opinion on Internal Control over Financial Reporting

We have audited Perion Network Ltd. and subsidiaries' ("the Company") internal control over financial reporting as of December 31, 2019, 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). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2019 and 2018, the related consolidated statements of income (loss), comprehensive income (loss), changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes, and our report dated March 16, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual 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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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.

Building a better
working world

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Definition and Limitations of Internal Control Over Financial Reporting

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.

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

Tel-Aviv, Israel
March 16, 2020

CONSOLIDATED BALANCE SHEETS

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

	December 31,	
	2019	2018
Assets		
Current Assets:		
Cash and cash equivalents	$ 38,389	$ 39,109
Restricted cash	1,216	1,694
Short-term bank deposits	23,234	4,000
Accounts receivable (net of allowance for doubtful debt of $417 and $607 at December 31, 2019 and 2018, respectively)	49,098	55,557
Prepaid expenses and other current assets	3,170	3,533
Total Current Assets	**115,107**	**103,893**
Property and equipment, net	10,918	15,649
Operating lease right-of-use assets	22,429	-
Intangible assets, net	2,635	6,496
Goodwill	125,809	125,051
Deferred taxes	6,171	4,414
Other assets	708	943
Total Assets	**$ 283,777**	**$ 256,446**
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable	$ 47,681	$ 38,208
Accrued expenses and other liabilities	18,414	17,240
Short-term operating lease liability	3,667	-
Short-term loans and current maturities of long-term and convertible debt	8,333	16,059
Deferred revenues	4,188	3,794
Short-term payment obligation related to acquisitions	1,025	1,813
Total Current Liabilities	**83,308**	**77,114**
Long-Term Liabilities:		
Long-term debt, net of current maturities	8,333	16,667
Convertible debt, net of current maturities	-	7,726
Long-term operating lease liability	20,363	-
Other long-term liabilities	6,591	6,158
Total Liabilities	**118,595**	**107,665**
Commitments and Contingencies		
Shareholders' Equity:		
Ordinary shares of ILS 0.03 par value - Authorized: 43,333,333 shares at December 31, 2019 and 2018; Issued: 26,357,798 and 25,965,527 shares at December 31, 2019 and 2018, respectively; Outstanding: 26,242,459 and 25,850,188 shares at December 31, 2019 and 2018, respectively	213	211
Additional paid-in capital	243,211	239,693
Treasury shares at cost (115,339 shares at December 31, 2019 and 2018)	(1,002)	(1,002)
Accumulated other comprehensive income	130	142
Accumulated deficit	(77,370)	(90,263)
Total Shareholders' Equity	**165,182**	**148,781**
Total Liabilities and Shareholders' Equity	**$ 283,777**	**$ 256,446**

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

CONSOLIDATED STATEMENTS OF INCOME

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

	Year ended December 31,		
	2019	2018	2017
Revenues:			
Advertising	$ 87,863	$ 125,977	$ 134,481
Search and other	173,587	126,868	139,505
Total Revenues	**261,450**	**252,845**	**273,986**
Costs and Expenses:			
Cost of revenues	25,520	23,757	24,659
Customer acquisition costs and media buy	135,891	128,351	130,885
Research and development	22,585	18,884	17,189
Selling and marketing	34,736	38,918	52,742
General and administrative	14,999	16,450	21,911
Depreciation and amortization	9,711	9,719	16,591
Impairment, loss of goodwill and intangibles	-	-	85,667
Restructuring charges	-	2,075	-
Total Costs and Expenses	**243,442**	**238,154**	**349,644**
Income (Loss) from Operations	**18,008**	**14,691**	**(75,658)**
Financial expenses, net	3,470	3,794	5,922
Income (Loss) before Taxes on Income	**14,538**	**10,897**	**(81,580)**
Taxes on income (benefit)	1,645	2,776	(8,826)
Net Income (Loss)	**$ 12,893**	**$ 8,121**	**$ (72,754)**
Net Earnings (Loss) per Share - Basic:	**$ 0.50**	**$ 0.31**	**$ (2.81)**
Net Earnings (Loss) per Share – Diluted:	**$ 0.49**	**$ 0.31**	**$ (2.81)**
Weighted average number of shares – Basic:	**25,965,357**	**25,850,067**	**25,849,724**
Weighted average number of shares – Diluted:	**26,357,585**	**25,855,225**	**25,849,724**

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

U.S. dollars in thousands

	Year ended December 31,		
	2019	**2018**	**2017**
Net income (loss)	**$ 12,893**	**$ 8,121**	**$ (72,754)**
Other comprehensive income (loss):			
Change in foreign currency translation adjustment	(185)	(167)	717
Cash Flow Hedge:			
Unrealized gain (loss) from cash flow hedges	445	(429)	605
Less: reclassification adjustment for net gain (loss) included in net income (loss)	(272)	206	(525)
Net change	173	(223)	80
Other comprehensive income (loss)	(12)	(390)	797
Comprehensive income (loss)	**$ 12,881**	**$ 7,731**	**$ (71,957)**

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

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

	Common shares		Additional paid-in capital	Accumulated Other Comprehensive income (loss)	Retained earnings (Accumulated deficit)	Treasury shares	Total shareholders' equity
	Number of Shares	$	$	$	$	$	$
Balance as of December 31, 2016	**25,741,021**	**210**	**234,831**	**(265)**	**(25,630)**	**(1,002)**	**208,144**
Share-based compensation	-	-	2,144	-	-	-	2,144
Exercise of share options and vesting of restricted share units	109,000	1	-	-	-	-	1
Other comprehensive income	-	-	-	797	-	-	797
Net loss	-	-	-	-	(72,754)	-	(72,754)
Balance as of December 31, 2017	**25,850,021**	**211**	**236,975**	**532**	**(98,384)**	**(1,002)**	**138,332**
Share-based compensation	-	-	2,718	-	-	-	2,718
Exercise of share options and vesting of restricted share units	167	*)	*)	-	-	-	*)
Other comprehensive loss	-	-	-	(390)	-	-	(390)
Net income	-	-	-	-	8,121	-	8,121
Balance as of December 31, 2018	**25,850,188**	**211**	**239,693**	**142**	**(90,263)**	**(1,002)**	**148,781**
Share-based compensation	-	-	2,293	-	-	-	2,293
Exercise of share options and vesting of restricted share units	392,271	2	1,225	-	-	-	1,227
Other comprehensive loss	-	-	-	(12)	-	-	(12)
Net income	-	-	-	-	12,893	-	12,893
Balance as of December 31, 2019	**26,242,459**	**213**	**243,211**	**130**	**(77,370)**	**(1,002)**	**165,182**

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

*) Less than $1

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Year ended December 31,		
	2019	**2018**	**2017**
Operating activities:			
Net income (loss)	$ 12,893	$ 8,121	$ (72,754)
	12,893	**8,121**	**(72,754)**
Adjustments required to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	9,711	9,719	16,591
Impairment of intangible assets and goodwill	-	-	85,667
Restructuring costs related to impairment of property and equipment	-	462	-
Share-based compensation expense	2,293	2,718	2,112
Foreign currency translation	(86)	3	83
Accretion of payment obligation related to acquisition	-	-	43
Accrued interest, net	(204)	1,005	475
Deferred taxes, net	(1,756)	335	(8,877)
Accrued severance pay, net	96	(783)	801
Change in payment obligation related to acquisitions	1,025	-	-
Fair value revaluation - convertible debt	600	(1,585)	3,785
Net changes in operating assets and liabilities:			
Accounts receivable, net	6,416	7,423	8,888
Prepaid expenses and other current assets	646	9,451	(3,241)
Operating lease right-of-use assets	3,119	-	-
Operating lease liabilities	(1,518)	-	-
Accounts payable	9,459	(1,066)	1,106
Accrued expenses and other liabilities	1,653	(1,524)	1,429
Deferred revenues	394	(1,478)	(95)
Net cash provided by operating activities	**$ 44,741**	**$ 32,801**	**$ 36,013**
Investing activities:			
Purchases of property and equipment	$ (1,209)	$ (2,038)	$ (1,606)
Proceeds from sale of property and equipment	492	59	10
Capitalization of development costs	-	(1,756)	(5,756)
Short-term deposits, net	(19,234)	1,913	2,501
Cash paid in connection with acquisitions, net of cash acquired	(1,200)	-	-
Net cash used in investing activities	**$ (21,151)**	**$ (1,822)**	**$ (4,851)**
Financing activities:			
Exercise of share options and restricted share units	$ 1,227	$ -	$ 1
Payments made in connection with acquisition	(1,813)	(3,333)	(2,551)
Proceeds from long-term loans	-	25,000	5,000
Repayment of short-term loans	-	-	(7,000)
Repayment of convertible debt	(15,850)	(8,167)	(7,901)
Repayment of long-term loans	(8,332)	(36,509)	(11,389)
Net cash used in financing activities	**$ (24,768)**	**$ (23,009)**	**$ (23,840)**
Effect of exchange rate changes on cash and cash equivalents	(20)	78	287
Net increase (decrease) in cash and cash equivalents and restricted cash	**$ (1,198)**	**$ 8,048**	**$ 7,609**
Cash and cash equivalents and restricted cash at beginning of year	40,803	32,755	25,146
Cash and cash equivalents and restricted cash at end of year	**$ 39,605**	**$ 40,803**	**$ 32,755**

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		
	2019	2018	2017
Reconciliation of cash, cash equivalents, and restricted cash to the consolidated balance sheet			
Cash and cash equivalents	$ **38,389**	$ **39,109**	$ **31,567**
Restricted cash included in Long-term interest-bearing bank deposits	1,216	1,694	1,188
Total cash, cash equivalents, and restricted cash	**$ 39,605**	**$ 40,803**	**$ 32,755**
Supplemental Disclosure of Cash Flow Activities:			
Cash paid during the year for:			
Income taxes	$ 4,007	$ 1,256	$ 2,702
Interest	$ 2,320	$ 3,567	$ 4,619
Non-cash investing and financing activities:			
Share-based compensation capitalized as part of capitalization of software development costs	$ -	$ -	$ 31
Creation of operating lease right-of-use assets	$ 25,537	$ -	$ -
Purchase of property and equipment on credit	$ 15	$ 1	$ -

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

NOTE 1: GENERAL

Perion Network Ltd. ("Perion") and its wholly-owned subsidiaries (collectively referred to as the "Company"), is a global technology company that provides agencies, brands and publishers with innovative solutions that cover the three main pillars of digital advertising. From its data-driven Synchronized Digital Branding platform and high-impact ad formats in the display domain, to its powerful advertising cloud platform, to its branded search network.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

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

Use of estimates

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

Financial statements in U.S. dollars

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

Management believes that the USD is the currency of the primary economic environment in which the Company operates. The financial statements of other subsidiaries, whose functional currency is determined to be their local currency, have been translated into USD. 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 each applicable quarter. The resulting translation adjustments are reported as an accumulated other comprehensive income (loss) component of shareholders' equity.

Cash and cash equivalents and short-term deposits

The Company considers all short-term, highly liquid and unrestricted cash balances, with stated maturities of three months or less from date of purchase, as cash equivalents. Short-term deposits are bank deposits with maturities of more than three months but less than one year. The short-term deposits as of December 31, 2019 and 2018 are denominated primarily in USD and bear interest at an average annual rate of 2.16% and 3.00%, respectively.

Restricted cash

Restricted cash is comprised primarily of security deposits that are held to secure the Company's hedging activity, lease obligations and certain letters of credit associated with lease obligations. Restricted cash in the amount of $1,216 and $1,694, as of December 31, 2019 and 2018, respectively, are included under prepaid expenses and other current assets.

The Company adopted ASU 2016-18 "Statement of Cash Flows: Restricted Cash", starting January 1, 2018 in accordance with the retrospective transition method. According to the ASU amounts generally described as restricted cash should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flow.

Accounts receivable and allowance for doubtful accounts

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

Property and equipment

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

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

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

Leases

The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets, other current liabilities and operating lease liabilities in the Company's consolidated balance sheets. Finance leases are included in property, plant and equipment, net, other current liabilities, and other long-term liabilities in the Company's consolidated balance sheets.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term.

The Company uses incremental borrowing rates based on the estimated rate of interest for collateralized borrowing over a similar term of the lease payments at commencement date. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expenses for lease payments are recognized on a straight-line basis over the lease term.

Impairment of long-lived assets, Right-of-use assets and intangible assets subject to amortization

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

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

Goodwill and intangible assets

Goodwill reflects the excess of the purchase price of business acquired over the fair value of net assets acquired. Goodwill is not amortized but instead is tested for impairment, in accordance with ASC 350, “Intangibles – Goodwill and Other”, at the reporting unit level, at least annually at December 31 each year, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Following the early adoption of ASU 2017-04, "Simplifying the Test for Goodwill Impairment" by the Company in January 2017, any excess of the carrying amount of the reporting unit over its fair value is recognized as an impairment loss, and the carrying value of goodwill is written down to fair value.

Based on the goodwill assessment for the Advertising reporting unit in 2017, the Company determined that the carrying amount of the Advertising reporting unit exceeds its fair value and recorded an impairment charge of $65,686 to its Goodwill. No such impairment charges were recorded in 2018 and in 2019.

In 2017, the Company recorded impairment charges of $19,981, with respect to intangible assets subject to amortization. No such impairment charges were recorded in 2018 and 2019.

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

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

Deferred Financing Costs

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

Revenue recognition

The Company applies the provisions of Accounting Standards Codification 606, Revenue from Contracts with Customers ("ASC 606" or "Topic 606") The Company adopted the provisions of ASC 606 effective January 1, 2018 using the modified retrospective application method for all uncompleted contracts as of that date. The adoption of ASC 606 did not have a material impact on the Company’s consolidated financial statements. In addition, the adoption of ASC 606 had no impact on the Company's accounts receivable and deferred revenues balance as of December 31, 2018 or on the Company's revenues, cost of sales or its operating expenses during 2018, compared to ASC 605.

The Company applies the practical expedient for incremental costs of obtaining contracts when the associated revenues is recognized over less than one year.

The Company generates revenues primarily from two major sources:

Advertising Revenues - the Company primarily generates advertising revenues from delivering, high impact ad formats creatively designed to capture consumer attention and drive engagement, across a hand-picked portfolio of websites and mobile applications.

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

For more disaggregated information of revenues refer to Note 19.

The Company general payments terms are less than one year. Therefore, no finance component is recognized.

The Company evaluates whether Search and Advertising Revenues should be presented on a gross basis, which is the amount that a customer pays for the service, or on a net basis, which is the amount of the customer payment less amounts the Company pays to publishers. In making that evaluation, the Company considers whether it controls the promised good or service before transferring that good or service to the customer. The Company considers indicators such as whether the Company is the primary obligor in the arrangement and assumes risks and rewards as a principal or an agent, including the credit risk, whether the Company has latitude in establishing prices and selecting its suppliers and whether it changes the products or performs part of the service. The evaluation of these factors is subject to significant judgment and subjectivity. Generally, in cases in which the Company is primarily obligated in a transaction, is subject to risk, involved in the determination of the product (or the service) specifications, separately negotiates each revenue service agreement or publisher agreement and can have several additional indicators, revenue is recorded on a gross basis.

Remaining performance obligations (RPOs) represent amounts collected on contracted revenues that have not yet been recognized. As of December 31, 2019, the aggregate amount of the RPOs was $4,188. The Company expects the RPO to be recognized as revenues within the next twelve months.

Contract balances are presented separately on the consolidated balance sheets as either Accounts receivable or Deferred revenues. The Company does not have contract assets.

Accounts receivable includes amounts billed and currently due from customers.

Deferred revenues are recorded when payments are received from customers in advance of the Company's rendering of services.

Revenues recognized during 2019 from amounts included within the Deferred revenues balance at the beginning of the period amounted to $3,794.

Cost of revenues

Cost of revenues consists primarily of expenses associated with the operation of the Company’s data centers, labor, energy and bandwidth costs, as well as content acquisition costs, and customer support. The direct cost relating to search revenues is immaterial.

Customer acquisition costs and media buy

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

Research and development costs

Research and development costs are charged to the statement of income as incurred, except for certain costs relating to internally developed software, which are capitalized.

The Company capitalizes certain internal and external software development costs, consisting primarily of direct labor associated with creating the internally developed software. Software development projects generally include three stages: (i) the preliminary project stage (all costs expensed as incurred); (ii) the application development stage (costs are capitalized) and (iii) the post implementation/operation stage (all costs expensed as incurred). The costs capitalized in the application development stage primarily include the costs of designing the application, coding and testing of the system. Capitalized costs are amortized using the straight-line method over the estimated useful life of the software, generally three years, once it is ready for its intended use. The Company believes that the straight-line recognition method best approximates the manner in which the expected benefit will be derived. Management evaluates the useful lives of these assets on an annual basis and tests for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets.

Capitalized software development costs, net of accumulated amortization, of $4,448 and $8,212 are included in property and equipment in the consolidated balance sheets as of December 31, 2019 and 2018, respectively (see Note 5).

Income taxes

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

The Company accounts for uncertain tax positions in accordance with ASC 740, which contains a two-step approach for recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of available evidence indicates that it is more likely than not that the tax position will be sustained on audit, including resolution of any related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement.

The Company accrued interest and penalties related to unrecognized tax benefits in its financial expenses.

Severance pay

The Company's agreements with employees in Israel are in accordance with section 14 of the Severance Pay Law, 1963 (“Section 14”), where the Company's contributions for severance pay is paid to the employee upon termination instead of the severance liability that would otherwise be payable under the law as aforementioned. Upon contribution to a fund, based on the full amount of the employee's monthly salary, and release of the fund to the employee, no additional severance payments are required to be made by the Company to the employee. Therefore, the related obligation and amounts deposited on behalf of such obligation are not stated on the balance sheet, as the Company is legally released from obligation to such employees once the deposit amounts have been paid.

Severance expenses for the years ended December 31, 2019, 2018 and 2017 amounted to $1,270, $1,230 and $2,039, respectively. The balances of severance deposits and accrued severance pay are immaterial and included in other assets and other long-term liabilities on the accompanying balance sheets, respectively.

Employee benefit plan

The Company’s U.S. operations maintain a retirement plan (the “U.S. Plan”) that qualifies as a deferred salary arrangement under Section 401(k) of the Internal Revenue Code. Participants in the U.S. Plan may elect to defer a portion of their pre-tax earnings, up to the Internal Revenue Service’s annual contribution limit. The Company matches 100% of each participant’s contributions, up to 3% of employee deferral, and 50% of the next 2% of employee deferral. Contributions to the U.S. Plan are recorded during the year contributed as an expense in the consolidated statement of income.

Total employer 401(k) contributions for the years ended December 31, 2019, 2018 and 2017 were $2,119, $2,305 and $2,765, respectively.

Comprehensive income (loss)

The Company accounts for comprehensive income (loss) in accordance with ASC 220, "Comprehensive Income". This statement establishes standards for the reporting and display of comprehensive income and its components in a full set of general purpose financial statements. Comprehensive income generally represents all changes in shareholders' equity during the period except those resulting from investments by, or distributions to, shareholders. The Company determined that its other comprehensive income (loss) relates to hedging derivative instruments and foreign currency translation adjustments.

Net earnings per share

In accordance with ASC 260, "Earnings Per Share", basic net earnings per share ("Basic EPS") is computed by dividing net earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted net earnings per share ("Diluted EPS") reflects the potential dilution that could occur if share options and other commitments to issue ordinary shares were exercised or equity awards vested, resulting in the issuance of ordinary shares that could share in the net earnings of the Company.

The weighted average number of ordinary shares related to the outstanding options, restricted shares, convertible debt and warrants excluded from the calculations of diluted net earnings per ordinary share, as these securities are anti-dilutive, was 4,087,559, 4,725,618 and 5,408,206 for the years ended December 31, 2019, 2018 and 2017, respectively.

Concentrations of credit risk

Financial instruments, which potentially subject the Company to a concentration of credit risk, consist primarily of cash and cash equivalents, bank deposits, restricted cash and accounts receivable.

The majority of the Company’s cash and cash equivalents, bank deposits and restricted cash are invested in USD instruments with major banks in the U.S. and Israel. Deposits in the U.S. may be in excess of insured limits and are not insured in other jurisdictions. Generally, these deposits may be redeemed upon demand and, therefore, bear minimal risk.

The Company’s major customers are financially sound, and the Company believes low credit risk is associated with these customers. To date, the Company has not experienced any material bad debt losses. Total expenses for doubtful debts during 2019, 2018 and 2017 amounted to $78, $180 and $230, respectively.

Share-based compensation

The Company accounts for share-based compensation under ASC 718, "Compensation - Stock Compensation", which requires the measurement and recognition of compensation expense based on estimated fair values for all share-based payment awards made to employees and directors. ASC 718 requires companies to estimate the fair value of equity-based awards on the date of grant, using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as an expense over the requisite service periods in the Company's consolidated statement of income. The Company estimates forfeitures to be estimated at the time of grant, and revised if necessary in subsequent periods, if actual forfeitures differ from those estimates.

The Company recognizes compensation expenses for the value of its awards, which have graded vesting based on service conditions, using the straight-line method, over the requisite service period of each of the awards, net of estimated forfeitures. Estimated forfeitures are based on actual historical pre-vesting forfeitures. For performance-based share units, the Company recognizes compensation expenses for the value of such awards, if and when the Company concludes that it is probable that a performance condition will be achieved based on the accelerated attribution method over the requisite service period. The Company should reassess the probability of vesting at each reporting period for awards with performance conditions and adjust compensation cost based on its probability assessment.

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

The Company estimates the fair value of its new share-based awards using the Binomial option-pricing model.

The following table presents the various assumptions used to estimate the fair value of the Company's share-based awards granted to employees and directors in the periods presented:

	Year ended December 31		
	2019	**2018**	**2017**
Risk-free interest rate	0.70% - 2.90%	1.50% - 3.00%	0.81% - 2.08%
Expected volatility	43% - 55%	48% - 57%	52% - 56%
Early exercise factor	110% - 230%	150% - 200%	150% - 200%
Forfeiture rate post vesting	0% - 34%	0% - 34%	0% - 23%
Dividend yield	0%	0%	0%

The expected volatility is calculated based on the actual historical share price movements of the Company’s share. The expected option term represents the period that the Company’s share options are expected to be outstanding. The early exercise factor and the forfeiture rate post-vesting are calculated based on the Company’s estimated early exercise and post-vesting forfeiture multiples, which are based on comparable companies and on actual historical data. The risk-free interest rate is based on the yield from U.S. Treasury zero-coupon bonds, with a term which is equivalent to the expected term of the share-based awards. The dividend yield is based on the current decision of the Company’s management not to distribute any dividends.

The fair value of restricted share units (“RSU”) is based on the market value of the underlying shares on the date of grant.

Derivative instruments

The Company accounts for derivatives and hedging based on ASC 815, "Derivatives and Hedging", which requires recognizing all derivatives on the balance sheet at fair value. If the derivatives meet the definition of a cash flow hedge and are so designated, depending on the nature of the hedge, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income and reclassified into earnings in the same period, or periods, during which the hedged transaction affects earnings. The ineffective portion of a derivative’s change in fair value, if any, is recognized in earnings, as well as gains and losses from a derivative’s change in fair value that are not designated as hedges are recognized in earnings immediately.

In order to mitigate the potential adverse impact on cash flows resulting from fluctuations in the exchange rate of the new Israeli shekels ("ILS"), the Company hedges portions of its forecasted expenses denominated in ILS with swap and options contracts. The Company does not speculate in these hedging instruments in order to profit from foreign currency exchanges, nor does it enter into trades for which there are no underlying exposures.

To protect against the increase in value of forecasted foreign currency cash flow resulting mainly from salaries and related benefits and taxes paid in ILS during the year, the Company hedges portions of its anticipated payroll denominated in ILS for a period of one to twelve months with forward and options contracts (the "Hedging Contracts"). Accordingly, when the USD strengthens against the ILS, the decline in present value of future ILS currency expenses is offset by losses in the fair value of the Hedging Contracts. Conversely, when the USD weakens, the increase in the present value of future ILS expenses is offset by gains in the fair value of the Hedging Contracts. These Hedging Contracts are designated as cash flow hedges.

The Company follows the requirements of ASC No. 815, *Derivatives and Hedging* ("ASC 815"), which requires companies to recognize all of their derivative instruments as either assets or liabilities on the balance sheet at fair value. The accounting for changes in 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 transaction and further, on the type of hedging transaction. For those derivative instruments that are designated and qualify as hedging instruments, a 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.

Additionally, in order to mitigate the potential adverse impact of the fluctuations in the ILS-USD exchange rate in connection with the convertible debt (see Note 10), the Company has entered into a cross currency interest rate SWAP agreement (the "SWAP") in order to hedge the future interest and principal payments, which are all denominated in ILS. However, since the convertible debt was measured at fair value at each reporting date, the SWAP does not qualify and was not designated as hedge under ASC 815. Therefore, gains or losses resulted from the change of the SWAP's fair value were recognized immediately as incurred in "financial expenses, net". The Company measured the fair value of these contracts in accordance with ASC 820, "Fair Value Measurement and Disclosures", and they were classified as level 2. On June 6, 2019, the SWAP agreements were terminated concurrently with the early redemption of the convertible bond.

In order to limit the Company's interest expenses derived from the secured credit agreement in which the Company entered concurrently with the closing of the Undertone acquisition (see Note 4), the Company has purchased a Cap Option for the interest amounts that was expected to be paid until June 2018. The cap option was designated as cash flow hedge under ASC 815.

The notional value of the Company's derivative instruments as of December 31, 2019 and 2018, amounted to $3,918 and $25,691, respectively. Notional values in USD are translated and calculated based on the spot rates for options and swap. Gross notional amounts do not quantify risk or represent assets or liabilities of the Company; however, they are used in the calculation of settlements under the contracts.

Fair value of financial instruments

The carrying amounts of financial instruments carried at cost, including cash and cash equivalents, short-term deposits, restricted cash, accounts receivable, prepaid expenses and other assets, accounts payable, accrued expenses and other liabilities approximate their fair value due to the short-term maturities of such instruments.

The Company follows the provisions of ASC No. 820, "Fair Value Measurement" ("ASC 820"), which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In determining a fair value, the Company uses various valuation approaches. ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing an asset or liability, based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect assumptions that market participants would use in pricing an asset or liability, based on the best information available under given circumstances.

The hierarchy is broken down into three levels, based on the observability of inputs and assumptions, as follows:

- Level 1 - Observable inputs obtained from independent sources, such as quoted prices for identical assets and liabilities in active markets.
- Level 2 - Other inputs that are directly or indirectly observable in the market place.
- Level 3 - Unobservable inputs which are supported by little or no market activity.

Treasury shares

In the past, the Company repurchased its ordinary shares on the open market. The Company holds the shares as treasury shares and presents their cost as a reduction of shareholders' equity.

Business combinations

The Company accounted for business combination in accordance with ASC 805, "Business Combinations". ASC 805 requires recognition of assets acquired, liabilities assumed, and any non-controlling interest at the acquisition date, measured at their fair values as of that date. Any excess of the fair value of net assets acquired over purchase price is allocated to goodwill and any subsequent changes in estimated contingencies are to be recorded in earnings. In addition, changes in valuation allowance related to acquired deferred tax assets and in acquired income tax position are to be recognized in earnings.

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

Recent Adopted Accounting Pronouncements:

On January 1, 2019, the Company adopted ASC 842, "Leases", on the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). ASC 842 supersedes the previous leases standard, ASC 840, "Leases". ASC 842 requires lessees to apply a dual approach, classifying leases as either finance or operating leases, based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification determines whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use ("ROU") asset and a lease liability for all leases with a term of greater than 12 months, regardless of their classification. The Company elected, as a practical expedient, to account for leases with a term of 12 months or less in a manner similar to the accounting under pre-existing guidance for operating leases. In July 2018, the FASB issued amendments in ASU 2018-11, which provides another transition method in addition to the existing transition method, by allowing entities to initially apply the new lease accounting standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption, and to not apply the new guidance in the comparative periods they present in the financial statements. The guidance is effective for the interim and annual periods beginning on or after December 15, 2018, and the Company has elected to apply the standard using a modified retrospective transition method at the beginning of the period of adoption (January 1, 2019) through a cumulative-effect adjustment.

The most significant impact from recognition of ROU assets and lease liabilities relates to the Company's office space. However, the adoption of ASC 842 does not have a material impact on the operating expenses in the Company's consolidated statements of operations, since the expense recognition under ASC 842 is similar to current practice. The Company's financial income (expenses), net is impacted by the revaluation of the lease liabilities denominated in non-dollar currencies.

To adopt ASC 842, the Company has implemented changes to its existing systems and processes in conjunction with a review of existing vendor agreements. See also Note 11.

In February 2018, the FASB issued ASU 2018-02 “Income Statement—Reporting Comprehensive Income—Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income”. The guidance allows reclassification of stranded tax effects resulting from the Tax Cuts and Jobs Act from accumulated other comprehensive income to retained earnings. This guidance is effective for fiscal years beginning after December 15, 2018. The adoption of this guidance has no material impact on the Company’s consolidated financial statements.

In June 2018, the FASB issued ASU 2018-07 “Improvement to Nonemployee Share-Based Payments Accounting”. This guidance simplifies the accounting for non-employee share-based payment transactions. The amendments specify that ASC 718 applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor’s own operations by issuing share-based payment awards. The guidance is effective for fiscal years beginning after December 31, 2018. The adoption of this guidance started as of Jan 1, 2019 and has no material impact on the Company’s consolidated financial statements.

Reclassifications

Certain items of expense have been reclassified to conform to current year financial statement presentation.

Recent Accounting Pronouncements not yet adopted

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326)". ASU 2016-13 requires that financial assets measured at amortized cost be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis. The measurement of expected credit losses is based upon historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. ASU 2016-13 will become effective for annual and interim periods beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The new standard will be effective for interim and annual periods beginning after January 1, 2020, and early adoption is permitted. The Company does not expect this standard to have a material effect on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, "Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment". ASU 2017-04 eliminates the requirement to measure the implied fair value of goodwill by assigning the fair value of a reporting unit to all assets and liabilities within that unit (the "Step 2 Test") from the goodwill impairment test. Instead, if the carrying amount of a reporting unit exceeds its fair value, an impairment loss is recognized in an amount equal to that excess, limited by the amount of goodwill in that reporting unit. ASU 2017-04 will become effective for the Company beginning January 1, 2020 and must be applied to any annual or interim goodwill impairment assessments after that date. The Company will adopt this standard on a prospective basis as of January 1, 2020 and does not expect this standard to have a material effect on its consolidated financial statements

In August 2018, the FASB issued ASU 2018-13 “Fair Value Measurement (Topic 820)—Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement”. This guidance removes certain disclosure requirements related to the fair value hierarchy, modifies existing disclosure requirements related to measurement uncertainty and adds new disclosure requirements. The new disclosure requirements include disclosing the changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period and the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. Certain disclosures required by this guidance must be applied on a retrospective basis and others on a prospective basis. The guidance will be effective for fiscal years beginning after December 15, 2019, although early adoption is permitted. The Company does not expect this standard to have a material effect on its consolidated financial statements.

NOTE 3: FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table present assets measured at fair value on a recurring basis as of December 31, 2019:

	Fair value measurements using input type			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Derivative assets	$ -	$ 73	$ -	$ 73
Total financial assets	**$ -**	**$ 73**	**$ -**	**$ 73**

The following table present assets and liabilities measured at fair value on a recurring basis as of December 31, 2018:

	Fair value measurements using input type			
	Level 1	Level 2	Level 3	Total
Assets:				
Derivative assets	$ -	$ 871	$ -	$ 871
Total financial assets	**$ -**	**$ 871**	**$ -**	**$ 871**
Liabilities:				
Derivative liabilities	-	153	-	153
Convertible debt	15,453	-	-	15,453
Total financial liabilities	**$ 15,453**	**$ 153**	**$ -**	**$ 15,606**

NOTE 4: ACQUISITIONS

a. Interactive Holding Corp.

On November 30, 2015, the Company acquired 100% of the shares of Interactive Holding Corp., a Delaware corporation, and its subsidiaries (collectively referred to as "Undertone") for a total preliminary purchase price of $133,101, comprised of (i) immediate cash payment of $89,078; (ii) $6,129 cash payments between 2016 and 2017; (iii) $16,000 holdback for potential claims recorded at fair value ($14,391 at acquisition), and (iv) $20,000 deferred consideration, bearing 10% annual interest, to be paid on November 2020, for which a liability of $22,005 was recorded at fair value (v) Working capital adjustment in the amount of $1,498.

On August 2, 2016, the Company executed an amendment to the purchase agreement, pursuant to which, the Company paid $22,000 and eliminated $35,546 at fair value, of obligations. As a result of the amendment, the Company reduced the purchase price by $13,546. Final purchase price amounted to $119,768 including a working capital final adjustment of $213 in 2016.

b. Make Me Reach SAS

On February 10, 2015, the Company consummated the acquisition of 100% of the shares of Make Me Reach SAS, a private French company headquartered in Paris, France ("MMR"). MMR enables advertisers to efficiently and effectively scale their advertising campaigns on social media, with a specific focus on optimizing mobile ad campaigns. MMR is a Facebook Preferred Marketing Developer (“PMD”) and Twitter Marketing Platform Partner (“MPP”). The purchase price was $6,394 in cash and $4,378 in the form of 1,437,510 ordinary shares. In addition, the Company paid certain key employees of MMR retention payments of $144 in cash and $63 in the form of 18,998 ordinary shares, which were paid upon closing, and $708 in cash and $650 in ordinary shares, subject to retention conditions, which were met and paid in full in February 2016. Amounts subject to retention conditions were included as payroll expenses in the statement of operations.

c. Septa Communications LLC

On March 28, 2019, the Company consummated the acquisition of 100% of the shares of Septa Communications LLC, also known as “Captain Growth”.
Captain Growth is a Ukrainian-based start-up that has developed a proprietary AI platform to better connect and deliver relevant campaign messages through the entire ad journey.

Total consideration is up to $3,750, $1,200 paid in cash at closing while the remaining consideration is subject to the achievement of certain milestones and retention over the next 2 years, starting from the acquisition date.

NOTE 5: PROPERTY AND EQUIPMENT, NET

	December 31,	
	2019	2018
Cost:		
Computers and peripheral equipment	$ 7,212	$ 7,004
Office furniture and equipment	2,703	2,836
Leasehold improvements	8,678	8,712
Capitalized software	12,488	12,645
Total cost	31,081	31,197
Less: accumulated depreciation and amortization	(20,163)	(15,548)
Property and equipment, net	**$ 10,918**	**$ 15,649**

Depreciation and amortization expenses totaled to $5,455, $4,950 and $3,567, for the years ended December 31, 2019, 2018 and 2017, respectively.

During 2018 the Company capitalized software development costs of $1,756. In 2019 there were no software development capitalization cost.

Amortization expense for the related capitalized internally developed software in the consolidated statements of income amounted to $3,607, $2,978 and $842 during 2019, 2018 and 2017, respectively.

NOTE 6: GOODWILL AND OTHER INTANGIBLE ASSETS, NET

a. Goodwill

The changes in the net carrying amount of goodwill in 2018 and 2019 were as follows:

Balance as of January 1, 2018	**$ 125,051**
Balance as of December 31, 2018	**$ 125,051**
Acquisition of Captain growth	$ 758
Balance as of December 31, 2019	**$ 125,809**

Goodwill has been recorded as a result of prior acquisitions and represents excess of the consideration over the net fair value of the assets of the businesses acquired. As of December 31, 2019, the Company has two reporting units – Advertising and Search monetization. The Company performs tests for impairment of goodwill at the reporting unit level at least annually, or more frequently if events or changes in circumstances occur that would more likely than not reduce the fair value of a reporting unit below its carrying value. In 2017 the Company recorded an impairment charge of $65,686, classified as "Impairment charges" in the consolidated statements of income. No such impairment charges were recorded in 2018 and 2019.

b. Intangible assets, net

The following is a summary of intangible assets as of December 31, 2019:

	December 31, 2018	Additions	Amortization	OCI	December 31, 2019
Acquired technology	**$ 30,807**	**$ 442**	**$ -**	**$ (90)**	**$ 31,159**
Accumulated amortization	(21,242)	-	(649)	81	(21,810)
Impairment	(8,749)	-	-	-	(8,749)
Acquired technology, net	**816**	**442**	**(649)**	**(9)**	**600**
Customer relationships	**31,940**	-	-	**(29)**	**31,911**
Accumulated amortization	(19,825)	-	(928)	26	(20,727)
Impairment	(10,426)	-	-	-	(10,426)
Customer relationships, net	**1,689**	**-**	**(928)**	**(3)**	**758**
Tradename and other	**18,415**	-	-	**(131)**	**18,284**
Accumulated amortization	(9,314)	-	(2,679)	96	(11,897)
Impairment	(5,110)	-	-	-	(5,110)
Tradename and other, net	**3,991**	**-**	**(2,679)**	**(35)**	**1,277**
Intangible assets, net	**$ 6,496**	**$ 442**	**$ (4,256)**	**$ (47)**	**$ 2,635**

The following is a summary of intangible assets as of December 31, 2018:

	December 31, 2017	Amortization	OCI	December 31, 2018
Acquired technology	**$ 30,837**	**$ -**	**$ (30)**	**$ 30,807**
Accumulated amortization	(19,959)	(1,301)	18	(21,242)
Impairment	(8,749)	-	-	(8,749)
Acquired technology, net	**2,129**	**(1,301)**	**(12)**	**816**
Customer relationships	**31,949**	-	**(9)**	**31,940**
Accumulated amortization	(18,832)	(999)	6	(19,825)
Impairment	(10,426)	-	-	(10,426)
Customer relationships, net	**2,691**	**(999)**	**(3)**	**1,689**
Tradename and other	**18,457**	-	**(42)**	**18,415**
Accumulated amortization	(6,858)	(2,469)	13	(9,314)
Impairment	(5,110)	-	-	(5,110)
Tradename and other, net	**6,489**	**(2,469)**	**(29)**	**3,991**
Intangible assets, net	**$ 11,309**	**$ (4,769)**	**$ (44)**	**$ 6,496**

The estimated useful life of the intangible assets are as follows:

	Estimated useful life
Acquired technology	3-5 years
Customer relationships	4-5 years
Tradename and other	4-11 years

Amortization of intangible assets, net, in each of the succeeding five years and thereafter is estimated as follows:

2020	$ 1,366
2021	322
2022	333
2023	346
2024	268
	$ 2,635

NOTE 7: ACCRUED EXPENSES AND OTHER LIABILITIES

	December 31,	
	2019	**2018**
Employees and payroll accruals	$ 11,084	$ 8,528
Accrued expenses	5,092	6,391
Government authorities	1,962	2,068
Other short-term liabilities	276	253
	$ 18,414	**$ 17,240**

NOTE 8: DERIVATIVES AND HEDGING ACTIVITES

The fair value of the Company's outstanding derivative instruments is as follows:

	Balance sheet	December 31, 2019	December 31, 2018
Derivatives designate as hedging instruments:			
Foreign exchange forward contracts and other derivatives	"Prepaid expenses and other current assets"	$ 73	$ 11
	"Accrued expenses and other liabilities"	-	153
	"Accumulated other comprehensive income"	67	(106)
Derivatives not designated as hedging instruments:			
Cross currency SWAP	"Prepaid expenses and other current assets"	$ -	$ 860

As of December 31, 2019, the Company estimates that all of the net derivative assets related to its cash flow hedges included in accumulated other comprehensive income will be reclassified into expenses within the next 12 months when the underlying hedged item impacts earnings.

The net amounts reclassified from accumulated other comprehensive loss to the operating expenses are as follows:

	Gain recognized in Statements of Comprehensive Income		Gain (loss) recognized in consolidated statements of Income		
	Year ended December 31, 2019	Statement of Income	Year ended December 31, 2019	2018	2017
Derivatives designated as hedging instruments:					
Foreign exchange options and forward contracts	$ 173	"Operating expenses"	$ 272	$ (206)	$ 525
Derivatives not designated as hedging instruments:					
Foreign exchange options and forward contracts	-	"Financial expenses"	59	(186)	132
SWAP	-	"Financial expenses"	380	(2,487)	2,373
Total	**$ 173**		**$ 711**	**$ (2,879)**	**$ 3,030**

NOTE 9: SHORT TERM AND LONG-TERM DEBT

On December 17, 2018, the Company, executed a new loan facility, in the amount of $25,000. Proceeds of the loan facility were applied to refinancing of the existing debt as well as the debt of Undertone. Principal on the loan is payable in twelve equal quarterly instalments beginning March 2019 and maturing on December 31, 2021. The interest on the loan is at the rate of three-month LIBOR plus 5.7% per annum, payable quarterly. The credit facility is secured by liens on the assets of ClientConnect and Undertone and is guaranteed by Perion and Undertone. Each such guarantee is limited to $33 million. Financial covenants for the loan facility are tested at the level of Perion on a consolidated basis. As of December 31, 2019, the Company meets all of its covenants.

As of December 31, 2019, the aggregate principal annual maturities according to all of the above loan agreements were as follows:

	Repayment amount
2020	$ 8,333
2021	8,333
Present value of principal payments	**16,666**
Less: current portion	(8,333)
Long-term debt	**$ 8,333**

NOTE 10: CONVERTIBLE DEBT

In September 2014, the Company completed a public offering in Israel of its Series L Convertible Bonds (the "Bonds"), with an aggregate par value of approximately ILS 143.5 million. The Bonds were issued at a purchase price equal to 96.5% of their par value and bear annual interest at a rate of 5%, payable semi-annually, subject to a possible increase up to 6% in the event and to the extent the Company's debt rating is downgraded. The Bonds' principal, denominated in ILS, was repayable in five equal annual instalments commencing on March 31, 2016.

The Bonds were convertible, at the election of each holder, into the Company's ordinary shares at a conversion price of ILS 100.815 per share from the date of issuance and until March 15, 2020. The ordinary shares issued upon conversion of the Bonds will be listed on the NASDAQ Stock Market ("Nasdaq") and the Tel-Aviv Stock Exchange ("TASE"), to extent that the Company's ordinary shares are listed thereon at the time of conversion. The conversion price is subject to adjustment in the event that the Company effects a share split or reverse share split, rights offering or a distribution of bonus shares or a cash dividend.

The Company had the option to redeem the Bonds upon delisting of the Bonds from the TASE, subject to certain conditions. In addition, the Company was able to redeem the Bonds or any part thereof at its discretion after December 1, 2014, subject to certain conditions.

The Company elected to apply the fair value option in accordance with ASC 825, "Financial Instruments", to the Bonds and therefore all unrealized gains and losses were recognized in earnings.

On May 15, 2019 the Company announced it provided a Notice of Redemption to the Noteholders of its 5% Series L Convertible Bonds that was fully paid on June 6th, 2019. Following the redemption, the bond was delisted from the Tel Aviv Stock Exchange.

The changes of the long-term convertible debt in 2018 and 2019 were as follows:

Balance as of January 1, 2018	**$ 25,353**
Change in accrued interest	863
Change in fair value	(1,585)
Payment of interest	(1,011)
Payment of principal	(8,167)
Balance as of December 31, 2018 (*)	**$ 15,453**
Change in accrued interest	267
Change in fair value	600
Payment of interest	(470)
Payment of principal	(15,850)
Balance as of December 31, 2019	$ -

(*) Includes accrued interest of $193.

NOTE 11: LEASES

In January 2014, the Company entered into a lease agreement for new corporate offices in Holon, Israel. The lease expires in January 2025, with an option by the Company to extend for two additional terms of 24 months each. The Company sublease part of the office to three different sub-tenants.

In June 2018, Undertone entered into a lease agreement for its office at World Trade Center (WTC) New York. The lease expires in May 2026. Additionally, the Company may choose an early termination in 2023.

In January 2019, Our French subsidiary entered into a lease agreement for its office at Paris, France. The lease expires in March 2028. Additionally, the Company may choose an early termination in 2023.

Certain other facilities of the Company are rented under operating lease agreements, which expire on various dates, the latest of which is in 2023. The Company recognizes rent expense under such arrangements on a straight-line basis.

The Company's capitalized operating lease agreements have remaining lease terms ranging from 1.83 year to 8.25 years.

The following table represents the weighted-average remaining lease term and discount rate:

	Year ended December 31, 2019
Weighted average remaining lease term	6.09 Years
Weighted average discount rate	7.42%

The discount rate was determined based on the estimated collateralized borrowing rate of the Company, adjusted to the specific lease term and location of each lease.

Maturities of operating lease liabilities were as follows:

Year ending December 31,	
2020	$ 5,333
2021	5,267
2022	4,782
2023	4,760
2024	4,776
Thereafter	5,234
Total lease payments *)	30,152
Less – imputed interest	(6,122)
Present value of lease liabilities	**$ 24,030**

*) Total lease payments have not been reduced by sublease rental payments of $11,310 due in the future under non-cancelable subleases.

Facilities leasing expenses (net) in the years 2019, 2018 and 2017 were $3,076, $4,123 and $4,118 respectively. Out of which, Sublease income amounted to $2,682, $2,213 and $1,706 in the years 2019, 2018 and 2017, respectively.

Cash paid for amounts included in measurement of lease liabilities during 2019 was $ 4,454.

NOTE 12: COMMITMENT AND CONTINGENT LIABILITIES

a. Contingent purchase obligation

On November 30, 2012, the Company completed the acquisition of 100% of Sweet IM’s shares. Pursuant to the terms of the Share Purchase Agreement (“SPA”) between the Company and SweetIM, the Company was obligated to pay SweetIM's shareholders, among other payments, a payment of up to $7,500 in cash in May 2014 if certain milestones were met (the “Contingent Payment”). The milestones were based on the Company's GAAP revenues in 2013, and the absence of certain changes in the industry in which the Company operates. On May 28, 2014, the Company paid $2,500 in respect of the Contingent Payment. Following such payment, on June 22, 2014, SweetIM’s Shareholders’ representative notified the Company claiming that the Company owes SweetIM’s shareholders the entire Contingent Payment. In April 2015, pursuant to the SPA, an arbitration process with respect to this claim has commenced in Israel. Based on the August 2018 ruling of the arbitrator, the remaining balance of the Contingent Payment shall be paid to SweetIM's shareholders in 3 equal installments, the last of which was paid during January 2019.

a. Legal Matters

On December 22, 2015, Adtile Technologies Inc. filed a lawsuit against the Company and Intercept Interactive Inc. (“Intercept”), a subsidiary of Interactive Holding Corp., in the United States District Court for the District of Delaware. The lawsuit alleges various causes of action against Perion and Undertone related to Undertone’s alleged unauthorized use and misappropriation of Adtile’s proprietary information and trade secrets. Adtile is seeking injunctive relief and, unspecified monetary damages. On June 23, 2016, the court denied Adtile’s motion for a preliminary injunction. On June 24, 2016, the court (i) granted the Company’s motion to dismiss, and (ii) granted Intercept’s motion to stay the action and compel arbitration. In November 2017, the court dismissed the case for administrative reasons, since Adtile had not commenced arbitration proceedings. The Company is still unable to predict the outcome or range of possible loss as of the date of these financial statements, since to date Adtile had not commenced arbitration procedures. Regardless, the Company believes it has strong defenses against this lawsuit and intends to defend against it vigorously.

In addition, from time to time, the Company is party to other various legal proceedings, claims and litigation that arise in the ordinary course of business. It is the opinion of management that the ultimate outcome of these matters will not have a material adverse effect on the Company's financial position, results of operations or cash flows.

NOTE 13: SHAREHOLDERS' EQUITY

a. Ordinary shares

The ordinary shares of the Company entitle their holders to voting rights, the right to receive cash dividend and the right to a share in excess assets upon liquidation of the Company.

On August 2, 2018 the Company's Shareholders' approved a 3:1 “Reverse Share Split” of its Ordinary shares, which became effective on August 26, 2018. The accompanying consolidated financial statements and notes give retroactive effect to the reverse share split for all periods presented. All fractional shares created by the Reverse Share Split have been rounded down to the nearest whole share.

b. Share Options, Restricted Share Units and Warrants

In 2003, the Company's Board of Directors approved the 2003 Equity Incentive Plan (the "Plan") for an initial term of ten years from adoption and on December 9, 2012, extended the term of the Plan for an additional ten years. On August 7, 2013, the Company’s Board of Directors approved amendments to the Plan which include the ability to grant RSUs and restricted shares.

The contractual term of the share options is generally no more than seven years and the vesting period of the options and RSUs granted under the Plan is between one and three years from the date of grant. The rights of the ordinary shares issued upon the exercise of share options or RSUs are identical to those of the other ordinary shares of the Company.

As of December 31, 2019, there were 289,657 ordinary shares reserved for future share-based awards under the Plan.

The following table summarizes the activities for the Company’s service-based share options for the year ended December 31, 2019:

		Weighted average		
	Number of options	**Exercise price**	**Remaining contractual term (in years)**	**Aggregate intrinsic value**
Outstanding at January 1, 2019	3,744,807	$ 3.85	4.97	$ 27
Granted	1,674,703	3.94	-	-
Exercised	(392,271)	3.24	-	-
Cancelled	(936,112)	4.47	-	-
Outstanding at December 31, 2019	4,091,127	$ 3.79	4.70	$ 10,226
Exercisable at December 31, 2019	1,890,917	$ 3.76	3.87	$ 4,941
Vested and expected to vest at December 31, 2019	2,677,542	$ 4.07	3.81	$ 5,661

The weighted-average grant-date fair value of options granted during the years ended December 31, 2019, 2018 and 2017 was $1.75, $1.27 and $0.72, respectively.

The aggregate intrinsic value of the outstanding share options at December 31, 2019, represents the intrinsic value of 3,958,075 outstanding options that were in-the-money as of such date. The remaining 133,052 outstanding options were out-of-the-money as of December 31, 2019, and their intrinsic value was considered as zero. Total intrinsic value of options exercised during the year ended December 31, 2019 was $884.

The number of options expected to vest reflects an estimated forfeiture rate.

The following table summarizes the activities for the Company's performance-based share options for the year ended December 31, 2019:

	Number of Performance based options	Weighted average Exercise price	Weighted average Remaining contractual term (in years)	Aggregate intrinsic value
Outstanding at January 1, 2019	216,665	$ 4.35	4.12	$ -
Cancelled	(149,999)	4.84	-	-
Outstanding at December 31, 2019	66,666	3.24	4.95	199
Exercisable at December 31, 2019	66,666	3.24	4.95	199
Vested and expected to vest at December 31, 2019	66,666	$ 3.24	4.95	$ 199

As of December 31, 2019 all performance-based options have been vested.

No performance-based options were granted during 2019, 2018 and 2017.

The aggregate intrinsic value of the outstanding performance-based options at December 31, 2019, represents the intrinsic value of all outstanding options since they were all in-the-money as of such date.

The following table summarizes additional information regarding outstanding and exercisable options under the Company's share Option Plan as of December 31, 2019:

	Outstanding			Exercisable		
Range of exercise price	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price
$ 1.03 – 2.94	426,268	4.98	$ 2.78	92,076	3.56	$ 2.61
3.01 – 3.38	2,322,439	4.74	3.23	1,400,410	4.46	3.21
4.23 – 6.90	1,342,700	4.75	4.73	398,711	2.59	4.75
7.08 – 9.81	6,666	0.65	7.08	6,666	0.65	7.08
$ 10.01 –12.75	59,720	0.80	10.94	59,720	0.80	10.94
	4,157,793	4.70	$ 3.78	1,957,583	3.91	$ 3.75

The Company recognized share-based compensation expenses related to its share-based awards in the consolidated statements of operations as follows:

	Year ended December 31,		
	2019	2018	2017
Cost of revenues	$ 164	$ 136	$ 36
Research and development	488	448	229
Selling and marketing	515	848	744
General and administrative	1,126	1,286	1,135
Total	**$ 2,293**	**$ 2,718**	**$ 2,144**

As of December 31, 2019, there was $3,216 of unrecognized compensation cost related to outstanding options. These amounts are expected to be recognized over a weighted-average period of 1.20 years related to outstanding options. To the extent the actual forfeiture rate is different from what has been estimated, share-based compensation related to these awards will differ from the initial expectations.

c. In connection with the Undertone acquisition, the Company granted warrants to purchase 66,666 ordinary shares, at a weighted average exercise price of $9.09 per share, to a third-party vendor that provides development services to Undertone. The warrants are exercisable until December 27, 2020, and the weighted-average grant-date fair value was $1.23. The total expense incurred in 2019, 2018 and 2017 was $59, $61 and $61, respectively.

d. In December 2017, the Company executed a repricing of 2,689,669 share options of the Company's employees, and directors. As part of the repricing, the options' exercise price was adjusted to $ $3.24 with a vesting period of (i) grants issued prior to January 1, 2015, shall vest over a twelve months period in quarterly installments whether or not currently vested or would have been vested by that time; (ii) grants issued after January 1, 2015 will be subject to the following vesting schedule: one third shall vest over twelve months in equal quarterly installments, and the remaining two-thirds shall vest over twenty four months in equal quarterly installments whether or not currently vested or would have been vested by that time. The expiration date of the adjusted options shall be seven years from the repricing date. The total incremental fair value of these options amounted to $1,471.

NOTE 14: FINANCIAL INCOME (EXPENSE), NET

	Year ended December 31,		
	2019	2018	2017
Financial income:			
Interest income	$ 624	$ 296	$ 132
Foreign currency translation gains, net	-	827	204
Change in fair value of convertible debt	-	1,585	-
Change in fair value of SWAP	380	-	2,373
Other	147	366	197
	$ 1,151	**$ 3,074**	**$ 2,906**
Financial expense:			
Foreign currency translation losses, net	$ (950)	$ -	$ -
Interest and change in fair value of payment obligation related to acquisitions	-	-	(43)
Interest expense on debts	(2,334)	(3,938)	(4,794)
Change in fair value of SWAP	-	(2,487)	-
Change in fair value of convertible debt	(600)	-	(3,785)
Bank charges and other	(737)	(443)	(206)
	$ (4,621)	**$ (6,868)**	**$ (8,828)**
Financial expense, net	**$ (3,470)**	**$ (3,794)**	**$ (5,922)**

NOTE 15: INCOME TAXES

a. Income (Loss) before taxes on income

Income (Loss) before taxes on income is comprised as follows:

	Year ended December 31,		
	2019	2018	2017
Domestic	$ 21,095	$ 9,081	$ 10,485
Foreign	(6,557)	1,816	(92,065)
Total	**$ 14,538**	**$ 10,897**	**$ (81,580)**

b. Taxes on income

Taxes on income are comprised as follows:

	Year ended December 31,		
	2019	2018	2017
Current taxes	$ 3,816	$ 1,706	$ 1,212
Taxes in respect of previous years	(129)	612	(1,179)
Deferred tax expense (benefit)	(2,042)	458	(8,859)
Total	**$ 1,645**	**$ 2,776**	**$ (8,826)**

Taxes on income by jurisdiction were as follows:

	Year ended December 31,		
	2019	2018	2017
Domestic	$ 3,055	$ 2,187	$ 1,548
Foreign	(1,410)	589	(10,374)
Total	**$ 1,645**	**$ 2,776**	**$ (8,826)**
Domestic:			
Current taxes	$ 3,519	$ 1,121	$ 387
Deferred tax (benefit) expense	(197)	649	2,532
Taxes in respect of previous years	(267)	417	(1,371)
Total - Domestic	**$ 3,055**	**$ 2,187**	**$ 1,548**
Foreign:			
Current taxes	$ 297	$ 585	$ 825
Deferred tax benefit	(1,845)	(191)	(11,391)
Taxes in respect of previous years	138	195	192
Total - Foreign	**$ (1,410)**	**$ 589**	**$ (10,374)**
Total income tax expense	**$ 1,645**	**$ 2,776**	**$ (8,826)**

c. Deferred Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The significant components of the Company’s deferred tax assets and liabilities are as follows:

	December 31,	
	2019	**2018**
Deferred tax assets:		
Net operating loss carry forwards	$ 4,490	$ 4,992
Research and development	2,865	2,216
Intangible assets	2,543	1,480
Other temporary differences mainly relating to reserve and allowances	624	718
Deferred tax assets, before valuation allowance	**10,522**	**9,406**
Valuation allowance	4,351	4,992
Total deferred tax assets, net	**$ 6,171**	**$ 4,414**
Domestic:		
Long term deferred tax asset, net	$ 1,050	$ 950
	$ 1,050	**$ 950**
Foreign:		
Long term deferred tax asset, net	$ 5,121	$ 3,464
	$ 5,121	**$ 3,464**
Total deferred tax asset, net	**$ 6,171**	**$ 4,414**

The $641 change in the total valuation allowance for the year ended December 31, 2019, relates to the increase in deferred taxes on operating loss carry-forwards and temporary differences for which a full valuation allowance was recorded.

d. Reconciliation of the Company's effective tax rate to the statutory tax rate in Israel

A reconciliation between the theoretical tax expense, assuming all income is taxed at the statutory tax rate applicable to income of the Company, and the actual tax expense as reported in the statement of income is as follows:

	Year ended December 31,		
	2019	**2018**	**2017**
Income (Loss) before taxes on income	**$ 14,538**	**$ 10,897**	**$ (81,580)**
Statutory tax rate in Israel	23.0%	23.0%	24.0%
Theoretical tax expense (income)	**$ 3,344**	**$ 2,506**	**$ (19,579)**
Increase (decrease) in tax expenses resulting from:			
"Preferred Enterprise" benefits *	(2,973)	(1,301)	(584)
Non-deductible expenses	374	298	1,150
Non- deductible Impairment charges	-	-	12,652
Deferred taxes on losses and other temporary charges for which a valuation allowance was provided, net	421	541	(209)
Tax adjustment in respect of different tax rate of foreign subsidiaries	397	511	(3,392)
Change in future tax rate	-	-	836
Other	82	221	300
Taxes on income	**$ 1,645**	**$ 2,776**	**$ (8,826)**
* Benefit per ordinary share from "Preferred Enterprise" status:			
Basic	$ 0.11	$ 0.05	$ 0.02
Diluted	$ 0.11	$ 0.05	$ 0.02

e. Income tax rates

Taxable income of Israeli companies was generally subject to corporate tax at the rate of was 24% in 2017 and 23% in 2018 and 2019. However, the effective tax rate payable by a company that derives income from a Preferred Enterprise (as discussed below) may be considerably lower.

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

Deferred taxes were not provided for undistributed earnings of the Company's foreign subsidiaries. Currently, the Company does not intend to distribute any amounts of its undistributed earnings as dividends. The Company intends to reinvest these earnings indefinitely in the foreign subsidiaries and pay down its debt. Accordingly, no deferred income taxes have been provided in respect of these subsidiaries. If these earnings were distributed to Israel in the form of dividends or otherwise, the Company would be subject to additional Israeli income taxes (subject to an adjustment for foreign tax credits) and foreign withholding taxes. The amount of undistributed earnings of foreign subsidiaries is immaterial.

f. Law for the Encouragement of Capital Investments, 1959

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

The Israeli parliament enacted a reform to the Investment Law, effective January 2011 (which was amended in August 2013). According to the reform, a flat rate tax applies to companies eligible for the "Preferred Enterprise" status. In order to be eligible for Preferred Enterprise status, a company must meet minimum requirements to establish that it contributes to the country’s economic growth and is a competitive factor for the gross domestic product.

The Company’s Israeli operations elected “Preferred Enterprise” status, started in 2011.

Benefits granted to a Preferred Enterprise include reduced tax rates. As part of Economic Efficiency Law (Legislative Amendments for Accomplishment of Budgetary Targets for Budget Years 2017-2018), 5777-2016, the tax rate is 16% for all other Areas other than Area A (which was 9% from 2016 onward).

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

g. The New Technological Enterprise Incentives Regime (Amendment 73 to the Investment Law)

In December 2016, the Economic Efficiency Law (Legislative Amendments for Applying the Economic Policy for the 2017 and 2018 Budget Years), 2016 which includes Amendment 73 to the Law for the Encouragement of Capital Investments ("the 2017 Amendment") was published and was pending the publication of regulations, in May 2017 regulations were promulgated by the Finance Ministry to implement the "Nexus Principles" based on OECD guidelines published as part of the Base Erosion and Profit Shifting (BEPS) project. Following the publication of the regulations the 2017 Amendment became fully effective. According to the 2017 Amendment, a Preferred Technological Enterprise, as defined in the 2017 Amendment, with total consolidated revenues of less than NIS 10 billion, shall be subject to 12% tax rate on income derived from intellectual property (in development area A—a tax rate of 7.5%). In order to qualify as a Preferred technological enterprise certain criterion must be met, such as a minimum ratio of annual R&D expenditure and R&D employees, as well as having at least 25% of annual revenues derived from exports.

Any dividends distributed from income from the preferred technological enterprises will be subject to tax at a rate of 20%. The 2017 Amendment further provides that, in certain circumstances, a dividend distributed to a foreign corporate shareholder, would be subject to a 4% tax rate (if the percentage of foreign investors exceeds 90%).

The Company assessed the criteria for qualifying as a “Preferred Technological Enterprise,” status and concluded that the Israeli subsidiary is eligible to the above-mentioned benefits. The Company implemented the Preferred Technological Enterprise benefits in its tax calculations starting 2017.

h. Uncertain tax positions

A reconciliation of the beginning and ending balances of the total amounts of unrecognized tax benefits is as follows:

	December 31,	
	2019	2018
Balance at the beginning of the year	$ 3,619	$ 4,195
Decrease related to prior year tax positions, net	404	658
Increase related to current year tax positions, net	447	82
Balance at the end of the year	**$ 3,662**	**$ 3,619**

The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in finance expenses. During the years ended December 31, 2019, 2018 and 2017, the Company recognized approximately $158, $12 and $344 in interest and penalties. The Company had $573 and $415 for the payment of interest and penalties accrued at December 31, 2019, and 2018, respectively.

The Company does not expect uncertain tax positions to change significantly over the next 12 months, except in the case of settlements with tax authorities, the likelihood and timing of which are difficult to estimate.

The Company believes that it has adequately provided for any reasonably foreseeable outcome related to tax audits and settlements, although the final tax outcome of its tax audits could be different from that which is reflected in the Company's income tax provisions and accruals. Such differences could have a material effect on the Company's income tax provision and net income in the period in which such determination is made.

The Company’s tax assessments in Israel and the U.S. for tax years prior to 2015 and 2016 respectively are considered final. The Company has net operating losses in the U.S. from prior tax periods beginning in 2014 which may be subject to examination upon utilization in future tax periods

i. Tax loss carry-forwards

As of December 31, 2019, the Company’s U.S. subsidiaries have net operating loss carry-forwards of $3,189.

Net operating losses in the U.S. may be carried forward through periods which will expire in the years starting from 2034 up to 2035. Utilization of U.S. net operating losses may be subject to substantial annual limitation due to the "change in ownership" provisions of the Internal Revenue Code of 1986 and similar state provisions. The annual limitation may result in the expiration of net operating losses before utilization. NOLs created in 2018 onwards may be carried forward indefinitely.

As of December 31, 2019, the Company’s European subsidiaries have net operating loss carry-forwards of $8,592 which may be carried forward indefinitely.

As of December 31, 2019, Perion have net operating loss carry-forwards, in Israel, of $12,800 which may be carried forward indefinitely.

j. US Tax Reform:

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the “TCJA”). The TCJA makes broad and complex changes to the Code. The changes include, but are not limited to:

- A corporate income tax rate decrease from 35% to 21% effective for tax years beginning after December 31, 2017 (“Rate Reduction”);
- The transition of U.S international taxation from a worldwide tax system to a territorial system by providing a 100 percent deduction to an eligible U.S. shareholder on foreign sourced dividends received from a foreign subsidiary (“100% Dividend Received Deduction”);
- A one-time transition tax on the mandatory deemed repatriation of cumulative foreign earnings as of December 31, 2017;

In March 2018, the FASB issued Accounting Standards Update No. 2018-05, "Income Taxes Topic (740): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118" ("ASU 2018-05") to address situations when a registrant does not have the necessary information available, prepared or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the TCJA.

The Company included a $836 provisional estimate for the expected impact of the TCJA as of December 31, 2017, mainly in respect of the corporate rate reduction. During 2018, the Company completed its analysis of the impacts of the Act with an immaterial impact.

NOTE 16: EARNINGS PER SHARE

The table below presents the computation of basic and diluted net earnings per common share:

	Year ended December 31,		
	2019	**2018**	**2017**
Numerator:			
Net income (Loss) attributable to ordinary shares - basic	$ 12,893	$ 8,121	$ (72,754)
Net income (Loss) - diluted	$ 12,893	$ 8,121	$ (72,754)
Denominator:			
Number of ordinary shares outstanding during the year	25,965,357	25,850,067	25,849,724
Weighted average effect of dilutive securities:			
Employee options and restricted share units	392,228	5,158	-
Diluted number of ordinary shares outstanding	26,357,585	25,855,225	25,849,724
Basic net earnings (loss) per ordinary share	0.50	$ 0.31	$ (2.81)
Diluted net earnings (loss) per ordinary share	0.49	$ 0.31	$ (2.81)
Ordinary shares equivalents excluded because their effect would have been anti-dilutive	4,087,559	4,725,618	5,408,206

NOTE 17: RESTRUCTURING COSTS

Restructuring charges were recorded in connection with plans in order to reduce workforce, close certain facilities and other cost saving measures which amounted to $2,100 during 2018. In 2019 and 2017, there were no restructuring charges.

NOTE 18: MAJOR CUSTOMERS

A substantial portion of the Company's revenue is derived from search fees and online advertising, the market for which is highly competitive and rapidly changing. Significant changes in this industry or in customer buying behavior would adversely affect the Company’s operating results.

The following table sets forth the customers that represent 10% or more of the Company’s total revenues in each of the years presented below:

	Year ended December 31,		
	2019	2018	2017
Customer A	63%	45%	46%

NOTE 19: GEOGRAPHIC INFORMATION

The Company operates as one operating segment. Operating segments are defined as components of an enterprise for which separate financial information is evaluated regularly by the Chief Operating Decision Maker, who is the Chief Executive Officer, in deciding how to allocate resources and assessing performance. Over the past few years, the Company has completed several acquisitions. These acquisitions have allowed the Company to expand its offerings, presence and reach in various markets. While the Company has offerings in multiple enterprise markets, the Company’s business operates in one segment which is the High Impact Advertising solutions, and the Company’s Chief Operating Decision Maker evaluates the Company’s financial information and resources and assesses the performance of these resources on a consolidated basis.

The following table presents the total revenues for the years ended December 31, 2019, 2018 and 2017, allocated to the geographic areas in which they were generated:

	Year ended December 31,		
	2019	2018	2017
North America (mainly U.S.)	$ 195,903	$ 197,440	$ 213,471
Europe	50,669	46,858	48,146
Other	14,878	8,547	12,369
	$ 261,450	**$ 252,845**	**$ 273,986**

The total revenues are attributed to geographic areas based on the location of the end-users.

The following table presents the locations of the Company's property and equipment as of December 31, 2019 and 2018:

	December 31, 2019	December 31, 2018
Israel	$ 7,873	$ 11,193
U.S.	2,545	3,997
Europe	500	459
	$ 10,918	**$ 15,649**

NOTE 20: SUBSEQUENT EVENTS

On January 14, 2020, the Company consummated the acquisition of 100% of the shares of Content IQ LLC, also known as "Content IQ".

Content IQ is a privately held company founded in 2014, based in New York City. Content IQ has created data algorithm and analytics tools that deconstruct content, revenue and distribution to solve current major digital publishing challenges.

The total consideration is up to $73,050, which is comprised of $15,000 paid in cash at closing, with an additional maximum amount of $11,000 to be paid as a retention incentive. As part of the total consideration, there is a maximum amount of $47,050 in earn-outs over a period of two years. The earn-outs are tied to revenue and EBITDA-based metrics.

The purchase price allocation is considered preliminary, and additional adjustments may be recorded during the measurement period in accordance with ASC 805. Fair values still under review include values assigned to identifiable intangible assets, goodwill, deferred income taxes and contingent liabilities.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date:

	Fair value
Current assets	$ 45
Property and equipment, net	4
Technology	12,167
Customer Relationship	4,043
Goodwill	22,470
Net assets acquired	**$ 38,729**

ITEM 19. EXHIBITS:

No.	Description
1.1	Memorandum of Association of Perion, as amended and restated (translated from Hebrew) (1)
1.2	Articles of Association of Perion, as amended and restated (1)
2.1	Description of Perion's Securities registered pursuant to Section 12 of the Securities Exchange Act of 1934
4.1	Perion 2003 Israeli Share Option Plan and U.S. Addendum (2)
4.2	Perion Equity Incentive Plan (3)
4.3	Compensation Policy for Directors and Officers, adopted on February 6, 2020
4.4	Translation of a certain Credit Agreement by and between Perion Network Ltd. and Mizrahi Tefahot Bank Ltd., effective as of December 17, 2018 (1)
4.5	A form of Indemnification Letter Agreement between the Company and its present and future directors and officers (4)
4.6	Search Distribution Agreement by and between Perion Network Ltd. and Microsoft Ireland Operations Limited , effective as of January 1, 2018* (4)
4.7	Membership Interest Purchase Agreement by and between Perion Network Ltd., Mr. Assaf Katzir, Mr. Ziv Yarmiyahu and Content IQ LLC, dated January 14, 2020**
4.8	Summary in English of Lease Agreement by and between Perion Network Ltd. and Kanit HaShalom Investments Ltd., dated January 28, 2014, as amended on October 7, 2015 and December 26, 2019
8	List of subsidiaries
12.1	Certification required by Rule 13a-14(a) or Rule 15d-14(a) executed by the Chief Executive Officer of the Company
12.2	Certification required by Rule 13a-14(a) or Rule 15d-14(a) executed by the Chief Financial Officer of the Company
13.1	Certification required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code
13.2	Certification required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code
15.1	Consent of Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, Independent Auditors
101	Financial information from Perion Network Ltd.'s Annual Report on Form 20-F for the year ended December 31, 2019 formatted in XBRL (eXtensible Business Reporting Language)

(1) Previously filed with the SEC on March 19, 2019 as an exhibit to our annual report on Form 20-F, and incorporated herein by reference

(2) Previously filed with the SEC on April 29, 2013 as an exhibit to our annual report on Form 20-F, and incorporated herein by reference

(3) Previously filed with the SEC on October 15, 2013 as an exhibit to our Report on Form 6-K, and incorporated herein by reference

(4) Previously filed with the SEC on March 27, 2018 as an exhibit to our annual report on Form 20-F, and incorporated herein by reference

* Confidential treatment was granted with respect to certain portions of this exhibit pursuant to 17.C.F.R. §240.24b-2. Omitted portions were filed separately with the SEC

** Certain confidential information contained in this document, marked by brackets, was omitted because it is both (i) not material and (ii) would likely cause competitive harm to the Company if publicly disclosed. "[***]" indicates where the information has been omitted from this exhibit.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

PERION NETWORK LTD.

By: /s/ Doron Gerstel
Name: Doron Gerstel
Title: Chief Executive Officer

By: /s/ Maoz Sigron
Name: Maoz Sigron
Title: Chief Financial Officer

Date: March 16, 2020

Exhibit 2.1

Description of Securities

Perion Network Ltd., an Israeli corporation (the "Company," "we" or "our"), currently has one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended, the Company's ordinary shares, par value NIS 0.03 per share. The following is a summary of some of the terms of our ordinary shares based on our articles of association, as may be amended and restated from time to time, and Israeli law.

The following summary is not complete and is subject to, and is qualified in its entirety by reference to, the provisions of our articles of association and Israeli law.

Registration Number and Purposes

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

Authorized Share Capital

Our authorized share capital is of NIS 1,300,000, divided into 43,333,333 ordinary shares, par value NIS 0.03 per share.

The Board of Directors

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

Dividend and Liquidation Rights

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

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

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

Voting, Shareholder Meetings and Resolutions

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

Our articles of association and the laws of the State of Israel (subject to anti-terror legislations) do not restrict the ownership or voting of ordinary shares by non-residents of Israel.

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

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

Most shareholders’ resolutions, including resolutions to:

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

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

Notices

Under the Companies Law, shareholders’ meetings generally require prior notice of at least 21 days, or 35 in the event that the issue(s) to be resolved is an issue subject to the Israeli proxy rules. Notwithstanding the foregoing, and unless otherwise required by the Companies Law, the Company is not required to send notice to its registered holders of any meeting of the shareholders.

Modification of Class Rights

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

Election of Directors

Our ordinary shares do not have cumulative voting rights in the election of directors. Therefore, the holders of ordinary shares representing more than 50% of the voting power at the general meeting of the shareholders, in person or by proxy, have the power to elect all of the directors whose positions are being filled at that meeting, to the exclusion of the remaining shareholders. The election and re-election of external directors, requires the affirmative vote of a majority of the shares and in addition either that (i) a majority of the shares held by shareholders who are not controlling shareholders or a have personal interest in the election (other than a personal interest unrelated to the controlling shareholders) attending in person or represented by proxy have voted in favor of the proposal (shares held by abstaining shareholders are not be considered) or (ii) the aggregate number of shares voting against the proposal held by such shareholders has not exceeded 2% of the company's voting shareholders. In the event a shareholder holding 1% or more of the voting rights or the external director proposed the reelection of the external director, the reelection has to be 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.

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

Transfer Agent and Registrar

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

Approval of Related Party Transactions

Office Holders

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

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

Compensation. Pursuant to the Companies Law, the compensation policy must be approved by the company's board of directors after reviewing the recommendations of the compensation committee. The compensation policy also requires the approval of the general meeting of the shareholders, which approval must satisfy one of the following (the "Majority Requirement"): (i) the majority should include at least a majority of the shares of the voting shareholders who are non-controlling shareholders or do not have a personal interest in the approval of the compensation policy (in counting the total votes of such shareholders, abstentions are not be taken into account) or (ii) the total number of votes against the proposal among the shareholders mentioned in paragraph (i) does not exceed two percent of the aggregate voting power in the company. Under certain circumstances and subject to certain exceptions, the board of directors may approve the compensation policy despite the objection of the shareholders, provided that the compensation committee and the board of directors determines that it is for the benefit of the company, following an additional discussion and based on detailed arguments.

The Companies Law provides that the compensation policy must be re-approved (and re-considered) every three years, in the manner described above. Moreover, the board of directors is responsible for reviewing from time to time the compensation policy and deciding whether or not there are any circumstances that require an adjustment to the company's compensation policy. When approving the compensation policy, the relevant organs must take into consideration the goals and objectives listed in the Companies Law, and include reference to specific issues listed in the Companies Law. Such issues include, among others (the "Compensation Policy Mandatory Criteria"): (i) the relevant person's education, qualifications, professional experience and achievements; (ii) such person's position within the company, the scope of his responsibilities and previous compensation arrangements with the company; (iii) the proportionality of the employer cost of such person in relation to the employer cost of

other employees of the company, and in particular, the average and median pay of other employees in the company, including contract workers, and the impact of the differences between such person's compensation and the other employees' compensation on the labor relations in the company; (iv) the authority, at the board of director's sole discretion, to lower any variable compensation components or set a maximum limit (cap) on the actual value of the non-cash variable components, when paid; and (v) in the event that the terms of engagement include any termination payments - the term of employment of the departing person, the company's performance during that term, and the departing person's contribution to the performance of the company.

In addition, the Companies Law provides that the following matters must be included in the compensation policy (the "Compensation Policy Mandatory Provisions"): (i) other than with respect to officers reporting to the chief executive officer, the award of variable components must be based on long term and measurable performance criteria (other than non-material variable components, which may be based on non-measurable criteria taking into account the relevant person's contribution to the performance of the company); (ii) the company must set a ratio between fixed and variable pay, set a cap on the payment of any cash variable compensation components as of the payment of such components, and set a cap on the maximum cash value all non-cash variable components as of their grant date; (iii) the compensation policy must include a provision requiring the relevant person to return to the company any compensation that was awarded on the basis of financial figures that were subsequently restated; (iv) equity based variable compensation components should have an appropriate minimum vesting periods, which should be linked to long term performance objectives; and (v) the company must set a clear limit on termination payments.

Pursuant to the Companies Law, any transaction with an office holder (except directors and the chief executive officer of the company) with respect to such office holder's compensation arrangements and terms of engagement, requires the approval of the compensation committee and the board of directors. Such transaction must be consistent with the provisions of the company's compensation policy, provided that the compensation committee and the board of directors may, under special circumstances, approve such transaction that is not in accordance with the company's compensation policy, if both of the following conditions are met: (i) the compensation committee and the board of directors discussed the transaction in light of the roles and objectives of the compensation committee and after taking into consideration the Compensation Policy Mandatory Criteria and including in such transaction the Compensation Policy Mandatory Provisions; and (ii) the company's shareholders approved the transaction, provided that in public companies the approval must satisfy the Majority Requirement. Notwithstanding the above, the compensation committee and the board of directors may, under special circumstances, approve such transaction even if the shareholders' meeting objected to its approval, provided that (i) both the compensation committee and the board of directors re-discussed the transactions and decided to approve it despite the shareholder's objection, based on detailed arguments, and (ii) the company is not a 'Public Pyramid Held Company'. For the purpose hereof, a "Public Pyramid Held Company" is a public company that is controlled by another public company (including companies that issued only debentures to the public), which is also controlled by another public company (including companies that issued only debentures to the public) that has a controlling shareholder.

Transactions between public companies (including companies that have issued only debentures to the public) and their chief executive officer, with respect to his or her compensation arrangement and terms of engagement, require the approval of the compensation committee, the board of directors and the shareholder's meeting, provided that the approval of the shareholders' meeting must satisfy the Majority Requirement. Notwithstanding the above, the compensation committee and the board of directors may, under special circumstances, approve such transaction with the chief executive officer even if the shareholders' meeting objected to its approval, provided that (i) both the compensation committee and the board of directors re-discussed the transactions and decided to approve it despite the shareholder's objection, based on detailed arguments, and (ii) the company is not a Public Pyramid Held Company. Such transaction with the chief executive officer must be consistent with the provisions of the company's compensation policy, provided that the compensation committee and the board of directors may, under special circumstances, approve such transaction that is not in accordance with the company's compensation policy, if both of the following conditions are met: (i) the compensation committee and the board of directors discussed the transaction in light of the roles and objectives of the compensation committee and after taking into consideration the Compensation Policy Mandatory Criteria and including in such transaction the Compensation Policy Mandatory Provisions; and (ii) the company's shareholders approved the transaction, provided that in public companies the approval must satisfy the Majority Requirement. In addition, the compensation committee may determine that such transaction with the CEO does not have to be approved by the shareholders of the company, provided that: (i) the chief executive officer is independent based on criteria set forth in the Companies Law; (ii) the compensation committee determined, based on detailed arguments, that bringing the transaction to the approval of the shareholders may compromise the chances of entering into the transaction; and (iii) the terms of the transaction are consistent with the provisions of the company's compensation policy. Under the Companies Law, non-material amendments of transactions relating to the compensation arrangement or terms of engagement of office holders (including the chief executive officer), require only the approval of the compensation committee.

With respect to transactions relating to the compensation arrangement and terms of engagements of directors in public companies (including companies that have issued only debentures to the public), the Companies Law provides that such transaction is subject to the approval of the compensation committee, the board of directors and the shareholders' meeting. Such transaction must be consistent with the provisions of the company's compensation policy, provided that the compensation committee and the board of directors may, under special circumstances, approve such transaction that is not in accordance with the company's compensation policy, if both of the following conditions are met: (i) the compensation committee and the board of directors discussed the transaction in light of the roles and objectives of the compensation committee and after taking into consideration the Compensation Policy Mandatory Criteria and including in such transaction the Compensation Policy Mandatory Provisions; and (ii) the company's shareholders approved the transaction, provided that in public companies the approval must satisfy the Majority Requirement.

Our amended compensation policy was approved by our shareholders in February 2020.

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

Shareholders

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

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

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

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

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

- any amendment to the articles of association;

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

- a merger; or

- approval of related party transactions that require shareholder approval.

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

Anti-Takeover Provisions; Mergers and Acquisitions

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

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

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

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

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

Exculpation, Indemnification and Insurance of Directors and Officers

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

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

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

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

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

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

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

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

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

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

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

The maximum indemnification amount set forth in such agreements is limited to the higher of (i) $50,000,000 and (ii) 25% of the Company's shareholders' equity set forth on the Company's most recent consolidated balance sheet at the time that the obligation to indemnify hereunder is incurred. Such maximum amount is in addition to any amount paid (if paid) under insurance and/or by a third-party pursuant to an indemnification arrangement. In the opinion of the SEC, indemnification of directors and office holders for liabilities arising under the Securities Act, however, is against public policy and therefore unenforceable.

We have obtained directors' and officers' liability insurance for the benefit of our office holders and intend to continue to maintain such coverage and pay all premiums thereunder to the fullest extent permitted by the Companies Law.

Exhibit 4.3

COMPENSATION POLICY

PERION NETWORK LTD.

Compensation Policy for Executive Officers and Directors

(As Adopted on February 6, 2020)

1. **Introduction**

This document sets forth the Compensation Policy for Executive Officers and Directors (this "**Compensation Policy**" or "**Policy**") of Perion Network Ltd. ("**Perion**" or the "**Company**"), in accordance with the requirements of the Companies Law, 5759-1999 (the "**Companies Law**").

Compensation is a key component of Perion's overall human capital strategy to attract, retain, reward, and motivate highly skilled individuals that will enhance Perion's value and otherwise assist Perion to reach its business and financial long-term goals. Accordingly, the structure of this Policy is established to tie the compensation of each officer to Perion's goals and performance.

For purposes of this Policy, "Executive Officers" shall mean "Office Holders" as such term is defined in Section 1 of the Companies Law, excluding, unless otherwise expressly indicated herein, Perion's directors.

This policy is subject to applicable law and is not intended, and should not be interpreted as limiting or derogating from, provisions of applicable law to the extent not permitted.

This Policy shall apply to compensation agreements and arrangements which will be approved after the date on which this Policy is adopted and shall serve as Perion's Compensation Policy for three (3) years, commencing as of its adoption, unless amended earlier.

The Compensation Committee and the Board of Directors of Perion (the "**Compensation Committee**" and the "**Board**", respectively) shall review and reassess the adequacy of this Policy from time to time, as required by the Companies Law.

2. **Objectives**

Perion's objectives and goals in setting this Policy are to attract, motivate and retain highly experienced leaders who will contribute to Perion's success and enhance shareholder value, while demonstrating professionalism in a highly achievement-oriented culture that is based on merit and rewards excellent performance in the long term, and embedding Perion's core values as part of a motivated behavior. To that end, this Policy is designed, among others:

2.1. To closely align the interests of the Executive Officers with those of Perion's shareholders in order to enhance shareholder value;

2.2. To align a significant portion of the Executive Officers' compensation with Perion's short and long-term goals and performance;

2.3. To provide the Executive Officers with a structured compensation package, including competitive salaries, performance-motivating cash and equity incentive programs and benefits, and to be able to present to each Executive Officer an opportunity to advance in a growing organization;

2.4. To strengthen the retention and the motivation of Executive Officers in the long term;

2.5. To provide appropriate awards in order to incentivize superior individual excellency and corporate performance; and

2.6. To maintain consistency in the way Executive Officers are compensated.

3. **Compensation Instruments**

Compensation instruments under this Policy may include the following:

3.1. Base salary;

3.2. Benefits;

3.3. Cash bonuses;

3.4. Equity based compensation;

3.5. Change of control terms; and

3.6. Retirement and termination terms.

4. **Overall Compensation - Ratio Between Fixed and Variable Compensation**

4.1. This Policy aims to balance the mix of “Fixed Compensation” (comprised of base salary and benefits) and “Variable Compensation” (comprised of cash bonuses and equity-based compensation) in order to, among other things, appropriately incentivize Executive Officers to meet Perion’s short and long-term goals while taking into consideration the Company’s need to manage a variety of business risks.

4.2. The total annual target bonus and equity-based compensation per vesting annum (based on the fair market value at the time of grant calculated on a liner basis) of each Executive Officer shall not exceed 90% of the total compensation package of such Executive Officer on an annual basis.

5. **Inter-Company Compensation Ratio**

5.1. In the process of drafting and updating this Policy, Perion’s Board and Compensation Committee have examined the ratio between employer cost associated with the engagement of the Executive Officers, including directors, and the average and median employer cost associated with the engagement of Perion’s other employees (including contractor employees as defined in the Companies Law) (the “**Ratio**”).

5.2. The possible ramifications of the Ratio on the daily working environment in Perion were examined and will continue to be examined by Perion from time to time in order to ensure that levels of executive compensation, as compared to the overall workforce will not have a negative impact on work relations in Perion.

B. Base Salary and Benefits

6. **Base Salary**

6.1. A base salary provides stable compensation to Executive Officers and allows Perion to attract and retain competent executive talent and maintain a stable management team. The base salary varies among Executive Officers, and is individually determined according to the educational background, prior vocational experience, qualifications, company’s role, business responsibilities and the past performance of each Executive Officer.

6.2. Since a competitive base salary is essential to Perion’s ability to attract and retain highly skilled professionals, Perion will seek to establish a base salary that is competitive with base salaries paid to Executive Officers in a peer group of other companies operating in technology sectors which are similar in their characteristics to Perion’s, as much as possible, while considering, among others, such companies’ size and characteristics including their revenues, market capitalization, number of employees and operating arena (in Israel or globally), the list of which shall be reviewed and approved by the Compensation Committee. To that end, Perion shall utilize as a reference, comparative market data and practices, which will include a compensation survey that compares and analyses the level of the overall compensation package offered to an Executive Officer of the Company with compensation packages in similar positions to that of the relevant officer) in such companies. Such compensation survey may be conducted internally or through an external independent consultant. Information on such compensation survey shall be included in the proxy statement published in connection with the annual general meeting of Perion’s shareholders.

6.3. The Compensation Committee and the Board may periodically consider and approve base salary adjustments for Executive Officers. The main considerations for salary adjustment are similar to those used in initially determining the base salary, but may also include change of role or responsibilities, recognition for professional achievements, regulatory or contractual requirements, budgetary constraints or market trends. The Compensation Committee and the Board will also consider the previous and existing compensation arrangements of the Executive Officer whose base salary is being considered for adjustment. Any limitation herein based on the annual base salary shall be calculated based on the monthly base salary applicable at the time of consideration of the respective grant or benefit.

7. **Benefits**

7.1. The following benefits may be granted to the Executive Officers in order, among other things, to comply with legal requirements:

7.1.1. Vacation days in accordance with market practice;

7.1.2. Sick days in accordance with market practice;

7.1.3. Convalescence pay according to applicable law;

7.1.4. Monthly remuneration for a study fund, as allowed by applicable law and with reference to Perion’s practice and the practice in peer group companies;

7.1.5. Perion shall contribute on behalf of the Executive Officer to an insurance policy or a pension fund, as allowed by applicable law and with reference to Perion’s policies and procedures and the practice in peer group companies (including contributions on bonus payments); and

7.1.6. Perion shall contribute on behalf of the Executive Officer towards work disability insurance, as allowed by applicable law and with reference to Perion’s policies and procedures and to the practice in peer group companies.

7.2. Non-Israeli Executive Officers may receive other similar, comparable or customary benefits as applicable in the relevant jurisdiction in which they are employed. Such customary benefits shall be determined based on the methods described in Section 6.2 of this Policy (with the necessary changes and adjustments).

7.3. In events of relocation or repatriation of an Executive Officer to another geography, such Executive Officer may receive other similar, comparable or customary benefits as applicable in the relevant jurisdiction in which he or she is employed or additional payments to reflect adjustments in cost of living. Such benefits shall include reimbursement for out of pocket one-time payments and other ongoing expenses, such as housing allowance, car allowance, and home leave visit, etc.

7.4. Perion may offer additional benefits to its Executive Officers, which will be comparable to customary market practices, such as, but not limited to: cellular and land line phone benefits, company car and travel benefits, reimbursement of business travel including a daily stipend when traveling and other business related expenses, insurances, other benefits (such as newspaper subscriptions, academic and professional studies), etc., provided, however, that such additional benefits shall be determined in accordance with Perion’s policies and procedures.

C. <u>Cash Bonuses</u>

8. **Annual Cash Bonuses - The Objective**

8.1. Compensation in the form of an annual cash bonus is an important element in aligning the Executive Officers’ compensation with Perion’s objectives and business goals. Therefore, a pay-for-performance element, as payout eligibility and levels are determined based on actual financial and operational results, as well as individual performance.

8.2. An annual cash bonus may be awarded to Executive Officers upon the attainment of pre-set periodical objectives and individual targets determined by the Compensation Committee (and, if required by law, by the Board) at the beginning of each calendar year, or upon engagement, in case of newly hired Executive Officers, taking into account Perion’s short and long-term goals, as well as its compliance and risk management policies. The Compensation Committee and the Board shall also determine applicable minimum thresholds that must be met for entitlement to the annual cash bonus (all or any portion thereof) and the formula for calculating any annual cash bonus payout, with respect to each calendar year, for each Executive Officer. In special circumstances, as determined by the Compensation Committee and the Board (e.g., regulatory changes, significant changes in Perion’s business environment, a significant organizational change, a significant merger and acquisition events etc.), the Compensation Committee and the Board may modify the objectives and/or their relative weights during the calendar year.

8.3. In the event the employment of an Executive Officer is terminated prior to the end of a fiscal year, the Company may (but shall not be obligated to) pay such Executive Officer a full annual cash bonus or a prorated one.

8.4. The actual annual cash bonus to be awarded to Executive Officers shall be approved by the Compensation Committee and the Board.

9. **Annual Cash Bonuses - The Formula**

Executive Officers other than the CEO

9.1. The annual cash bonus of Perion's Executive Officers, other than the chief executive officer (the "**CEO**"), will be based on performance objectives and a discretionary evaluation of the Executive Officer's overall performance and subject to minimum thresholds based on overall company performance. The performance objectives will be approved by the Compensation Committee (and, if required by law, by the Board) at the commencement of each calendar year (or upon engagement, in case of newly hired Executive Officers or in special circumstances as indicated in Section 8.2 above) on the basis of, but not limited to, company, division or individual objectives. The performance measurable objectives, which include the objectives and the weight to be assigned to each achievement in the overall evaluation, may be based on actual financial and operational results against annual plan, such as revenues, operating income and cash flow and may further include, divisional or personal objectives which may include operational objectives, such as market share, initiation of new markets and operational efficiency, customer focused objectives, project milestones objectives and investment in human capital objectives, such as employee satisfaction, employee retention and employee training and leadership programs.

9.2. The target annual cash bonus that an Executive Officer, other than the CEO, will be entitled to receive for any given calendar year, will not exceed 100% of such Executive Officer's annual base salary.

9.3. The maximum annual cash bonus including for overachievement performance that an Executive Officer, other than the CEO, will be entitled to receive for any given calendar year, will not exceed 150% of such Executive Officer's annual base salary.

CEO

9.4. The annual cash bonus of Perion's CEO will be mainly based on performance measurable objectives and subject to minimum thresholds as provided in Section 8.2 above. Such performance measurable objectives will be determined annually by Perion's Compensation Committee (and, if required by law, by Perion's Board) at the commencement of each calendar year (or upon engagement, in case of newly hired CEO or in special circumstances as indicated in Section 8.2 above) on the basis of, but not limited to, company and personal objectives. These performance measurable objectives will include the objectives and the weight to be assigned to each achievement in the overall evaluation.

9.5. The less significant part of the annual cash bonus granted to Perion's CEO, and in any event not more than 30% of the annual cash bonus, may be based on a discretionary evaluation of the CEO's overall performance by the Compensation Committee and the Board based on quantitative and qualitative criteria.

9.6. The target annual cash bonus that the CEO will be entitled to receive for any given calendar year, will not exceed 100% of his or her annual base salary.

9.7. The maximum annual cash bonus including for overachievement performance that the CEO will be entitled to receive for any given calendar year, will not exceed 150% of his or her annual base salary.

10. **Other Bonuses**

10.1. Special Bonus. Perion may grant its Executive Officers a special bonus as an award for special achievements (such as in connection with mergers and acquisitions, offerings, achieving target budget or business plan under exceptional circumstances or special recognition in case of retirement), as a retention award at the CEO's discretion (and in the CEO's case, at the Board's discretion) or as a non-compete grant, subject to any additional approval as may be required by the Companies Law (the "**Special Bonus**"). The Special Bonus will not exceed 100% of the Executive Officer's annual base salary.

10.2. Signing Bonus. Perion may grant a newly recruited Executive Officer a signing bonus at the CEO's discretion (and in the CEO's case, at the Board's discretion), subject to any additional approval as may be required by the Companies Law (the "**Signing Bonus**"). The Signing Bonus will not exceed 100% of the Executive Officer's annual base salary.

10.3. Relocation/ Repatriation Bonus. Perion may grant its Executive Officers a special bonus in the event of relocation or repatriation of an Executive Officer to another geography (the "**Relocation Bonus**"). The Relocation bonus will include customary benefits associated with such relocation and its monetary value will not exceed 100% of the Executive Officer's annual base salary.

11. **Compensation Recovery ("Clawback")**

11.1. In the event of an accounting restatement, Perion shall be entitled to recover from its Executive Officers the bonus compensation or performance-based equity compensation in the amount in which such compensation exceeded what would have been paid under the financial statements, as restated, provided that a claim is made by Perion prior to the second anniversary of fiscal year end of the restated financial statements.

11.2. Notwithstanding the aforesaid, the compensation recovery will not be triggered in the following events:

11.2.1. The financial restatement is required due to changes in the applicable financial reporting standards; or

11.2.2. The Compensation Committee has determined that clawback proceedings in the specific case would be impossible, impractical or not commercially or legally efficient.

11.3. Nothing in this Section 11 derogates from any other "clawback" or similar provisions regarding disgorging of profits imposed on Executive Officers by virtue of applicable securities laws.

D. Equity Based Compensation

12. **The Objective**

12.1. The equity-based compensation for Perion's Executive Officers is designed in a manner consistent with the underlying objectives in determining the base salary and the annual cash bonus, with its main objectives being to enhance the alignment between the Executive Officers' interests with the long-term interests of Perion and its shareholders, and to strengthen the retention and the motivation of Executive Officers in the long term. In addition, since equity-based awards are structured to vest over several years, their incentive value to recipients is aligned with longer-term strategic plans.

12.2. The equity-based compensation offered by Perion is intended to be in a form of share options and/or other equity-based awards, such as RSUs, in accordance with the Company's equity incentive plan in place as may be updated from time to time.

12.3. All equity-based incentives granted to Executive Officers shall be subject to vesting periods in order to promote long-term retention of the awarded Executive Officers. Unless determined otherwise in a specific award agreement approved by the Compensation Committee and the Board, grants to Executive Officers other than non-employee directors shall vest gradually over a period of between three (3) to five (5) years or based on performance. The exercise price of options shall be determined in accordance with Perion's policies, the main terms of which shall be disclosed in the annual report of Perion. Equity-based awards may include dividend adjustment provisions.

12.4. All other terms of the equity awards shall be in accordance with Perion's incentive plans and other related practices and policies. Accordingly, the Board may, following approval by the Compensation Committee, extend the period of time for which an award is to remain exercisable and make provisions with respect to the acceleration of the vesting period of any Executive Officer's awards, including, without limitation, in connection with a corporate transaction involving a change of control, subject to any additional approval as may be required by the Companies Law.

13. **General Guidelines for the Grant of Awards**

13.1. The equity-based compensation shall be granted from time to time and be individually determined and awarded according to the performance, educational background, prior business experience, qualifications, role and the personal responsibilities of the Executive Officer.

13.2. In determining the equity-based compensation granted to each Executive Officer, the Compensation Committee and Board shall consider the factors specified in Section 13.1 above, and in any event the total fair market value of an equity-based compensation at the time of grant shall not exceed per vesting annum: (i) with respect to the CEO - 400% of his or her annual base salary; and (ii) with respect to each of the other Executive Officers 260% of his or her annual base salary.

13.3. The fair market value of the equity-based compensation for the Executive Officers will be determined according to acceptable valuation practices at the time of grant.

E. Retirement and Termination of Service Arrangements

14. **Advanced Notice Period**

Perion may provide an Executive Officer, other than the CEO, according to his/her seniority in the Company, his/her contribution to the Company's goals and achievements and the circumstances of retirement and the CEO a prior notice of termination of up to twelve (12) months in the case of the CEO and six (6) months in the case of other Executive Officers, during which the Executive Officer may be entitled to all of the compensation elements, and to the continuation of vesting of his/her equity-based compensation.

15. **Additional Retirement and Termination Benefits**

Perion may provide additional retirement and terminations benefits and payments as may be required by applicable law (e.g., mandatory severance pay under Israeli labor laws), or which will be comparable to customary market practices.

F. Exculpation, Indemnification and Insurance

16. **Exculpation**

Perion may exempt its directors and Executive Officers in advance for all or any of his/her liability for damage in consequence of a breach of the duty of care vis-a-vis Perion, to the fullest extent permitted by applicable law.

17. **Insurance and Indemnification**

17.1. Perion may indemnify its directors and Executive Officers to the fullest extent permitted by applicable law, for any liability and expense that may be imposed on the director or the Executive Officer, as provided in the indemnity agreement between such individuals and Perion, all subject to applicable law and the Company's articles of association.

17.2. Perion will provide directors' and officers' liability insurance (the **"Insurance Policy")** for its directors and Executive Officers as follows:

17.2.1. The annual premium to be paid by Perion shall not exceed 1.5% of the aggregate coverage of the Insurance Policy;

17.2.2. The limit of liability of the insurer shall not exceed the greater of $100 million or 30% of the Company's shareholders equity based on the most recent financial statements of the Company at the time of approval by the Compensation Committee; and

17.2.3. The Insurance Policy, as well as the limit of liability and the premium for each extension or renewal shall be approved by the Compensation Committee (and, if required by law, by the Board) which shall determine that the sums are reasonable considering Perion's exposures, the scope of coverage and the market conditions and that the Insurance Policy reflects the current market conditions, and it shall not materially affect the Company's profitability, assets or liabilities.

17.3. Upon circumstances to be approved by the Compensation Committee (and, if required by law, by the Board), Perion shall be entitled to enter into a "run off" Insurance Policy of up to seven (7) years, with the same insurer or any other insurance, as follows:

17.3.1. The limit of liability of the insurer shall not exceed the greater of $100 million or 30% of the Company's shareholders equity based on the most recent financial statements of the Company at the time of approval by the Compensation Committee;

17.3.2. The annual premium shall not exceed 400% of the last paid annual premium; and

17.3.3. The Insurance Policy, as well as the limit of liability and the premium for each extension or renewal shall be approved by the Compensation Committee (and, if required by law, by the Board) which shall determine that the sums are reasonable considering the Company's exposures covered under such policy, the scope of cover and the market conditions, and that the Insurance Policy reflects the current market conditions and that it shall not materially affect the Company's profitability, assets or liabilities.

17.4. Perion may extend the Insurance Policy in place to include cover for liability pursuant to a future public offering of securities as follows:

17.4.1. The additional premium for such extension of liability coverage shall not exceed 200% of the last paid annual premium; and

17.4.2. The Insurance Policy, as well as the additional premium shall be approved by the Compensation Committee (and if required by law, by the Board) which shall determine that the sums are reasonable considering the exposures pursuant to such public offering of securities, the scope of cover and the market conditions and that the Insurance Policy reflects the current market conditions, and it does not materially affect the Company's profitability, assets or liabilities.

G. Board of Directors Compensation

18. The following benefits may be granted to Perion's Board members:

18.1. All Perion’s non-employee Board members may be entitled to an annual cash fee of $50,000 per year (and in the case of the chairperson of the Board, $100,000 per year).

18.2. The compensation of the Company’s external directors, if elected, shall be in accordance with the Companies Regulations (Rules Regarding the Compensation and Expenses of an External Director), 5760-2000, as amended by the Companies Regulations (Relief for Public Companies Traded in Stock Exchange Outside of Israel), 5760-2000, as such regulations may be amended from time to time.

18.3. Notwithstanding the provisions of Sections 18.1 above, in special circumstances, such as in the case of a professional director, an expert director or a director who makes a unique contribution to the Company, such director’s compensation may be different than the compensation of all other directors and may be greater than the maximal amount allowed under Section 18.1.

18.4. Each non-employee member of Perion’s Board may be granted with an annual equity-based compensation with a fair market value not to exceed $200,000 per vesting annum (calculated at the time of grant on a liner basis). The equity-based compensation may be accelerated in the event of a change of control and include dividend adjustment provisions.

18.5. All other terms of the equity awards shall be in accordance with Perion’s incentive plans and other related practices and policies. Accordingly, the Board may, following approval by the Compensation Committee, extend the period of time for which an award is to remain exercisable or make provisions with respect to the acceleration of the vesting period of any awards, including, without limitation, in connection with a corporate transaction involving a change of control, subject to any additional approval as may be required by the Companies Law.

18.6. In addition, members of Perion’s Board may be entitled to reimbursement of expenses in connection with the performance of their duties.

I. Miscellaneous

19. Nothing in this Policy shall be deemed to grant any of Perion’s Executive Officers or employees or any third party any right or privilege in connection with their employment by the Company. Such rights and privileges shall be governed by the respective personal employment agreements. The Board may determine that none or only part of the payments, benefits and perquisites detailed in this Policy shall be granted, and is authorized to cancel or suspend a compensation package or part of it.

20. An Immaterial Change in the Terms of Employment of an Executive Officer other than the CEO may be approved by the CEO, provided that the amended terms of employment are in accordance with this Policy. An “Immaterial Change in the Terms of Employment” means a change in the terms of employment of an Executive Officer with an annual total cost to the Company not exceeding an amount equal to two (2) monthly base salaries of such employee.

21. In the event that new regulations or law amendment in connection with Executive Officers’ and directors’ compensation will be enacted following the adoption of this Policy, Perion may follow such new regulations or law amendments, even if such new regulations are in contradiction to the compensation terms set forth herein.

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This Policy is designed solely for the benefit of Perion and none of the provisions thereof are intended to provide any rights or remedies to any person other than Perion.

Exhibit 4.7

MEMBERSHIP INTEREST PURCHASE AGREEMENT

BY AND AMONG

PERION NETWORK LTD.

MR. ASAF KATZIR

MR. ZIV YIRMIYAHU

January 14, 2020

MEMBERSHIP INTEREST PURCHASE AGREEMENT

THIS MEMBERSHIP INTEREST PURCHASE AGREEMENT (this "Agreement"), is entered into effective as of January 14, 2020 by and among **Asaf Katzir** ("Asaf") and **Ziv Yirmiyahu** ("Ziv," and together with Asaf, each a "Seller" and, collectively, "Sellers"), Content IQ LLC, a New York limited liability company (the "Company"), and Perion Network Ltd., a private company incorporated in the State of Israel (the "Purchaser").

RECITALS

WHEREAS, Sellers collectively own one hundred percent (100%) of the issued and outstanding membership, ownership and/or equity interests in the Company (the "Ownership Interests");

WHEREAS, Sellers desire to sell to Purchaser, and Purchaser desires to purchase from Sellers, all of the Ownership Interests, and be admitted as substitute member in the Company, upon the terms and subject to the conditions hereinafter set forth; and

WHEREAS, on the date hereof, and as an inducement for the Purchaser to enter into this Agreement, all Key Persons (as defined herein) have entered into certain contractual obligations with the Purchaser, which are conditional on the Closing (as defined herein) (the "Key Person Agreements");

NOW, THEREFORE, in consideration of the mutual representations, warranties, promises, covenants and agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

ARTICLE I
DEFINITIONS

Section 1.01 Certain Definitions.

As used in this Agreement, the following terms have the following meanings:

"Accounting Principles" means GAAP, consistently applied throughout the respective periods covered, and in each case applied on a basis consistent with the Audited Financial Statements.

"Additional Condition" means, with respect to any Seller as of any time, that such Seller is still employed or otherwise engaged by Purchaser and/or a Subsidiary thereof (including the Company) or such Seller has been involuntarily terminated by one or more of Purchaser and/or a Subsidiary thereof (excluding a termination initiated by Asaf with respect to Ziv or Ziv with respect to Asaf), in each case without Cause, and (ii) has not resigned from the Purchaser and/or a Subsidiary thereof, or provided notice of an intention to resign, except for Good Reason.

"Affiliate" means, with respect to any Person, any other Person that, directly or indirectly through one or more intermediaries controls, is controlled by, or is under common control with such Person. For purposes of this definition, "control" (including the terms "controlled by" and "under common control with"), when used with respect to any specified Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through ownership of more than 50% of the voting securities, by contract or otherwise. With respect to any natural Person, any family members of that Person (and their respective Affiliates).

"Aggregate Consideration" means the sum of: (i) the Purchase Price, *plus* (ii) the GC Payments, *plus* (iii) US$4,000,000.

"Antitrust Laws" means any competition, antitrust or investment or trade regulatory Applicable Laws.

"Applicable Law" means, with respect to any Person, any federal, state, local, municipal, or other law (including common law), statute, regulation, regulatory guidance, directive, constitution, treaty, convention, ordinance, code, rule, regulation, Order or other similar requirement enacted, adopted, promulgated or applied by a Governmental Authority that is binding upon or applicable to such Person, as amended.

"Business" means the business of the Company and the Company Subsidiaries as currently conducted and as proposed to be conducted as of the Closing Date, primarily being paid distribution of written content monetized by programmatic display advertising.

"Business Day" means a day, other than Saturday or Sunday or other day on which commercial banks in Tel Aviv, Israel, or New York City, New York, are authorized or required by Applicable Law to close.

"Cap Step Down Date" means the date on which both the Earnout Payment in respect of the 2020 Earnout Period and the Additional Payments made pursuant to paragraph 1(a) and 2(a) of Part 1 of Exhibit B are made or required to be made by fulfilling the conditions in accordance with the terms hereof, regardless for these purposes of any permitted set off pursuant to Section 12.11.

"Cause" means, with respect to any Seller, (i) breach of trust by such Seller with respect to Purchaser and/or its Affiliates, in the form of fraud, material misappropriation of property, engagement in competing activities with Purchaser and/or its Affiliates, any breach of such Seller's undertakings under non-competition, non-solicitation, and intellectual property assignment agreements with Purchaser and/or its Affiliates, or material breach of such Seller's confidentiality obligations to Purchaser, the Company or its Affiliates, or under the (a) Code of Business Conduct and Ethics, (b) Disclosure and (c) Insider Trading policies of the Purchaser's group, causing damage to Purchaser or its Affiliates (including the Company); (ii) the Seller's willful and persistent failure to perform his duties to the Purchaser and/or its Affiliates (provided that, to remove any doubt, (A) not meeting business objectives, targets or milestones and (B) dissatisfaction of the Sellers's performance shall not be deemed, in and of itself, a failure to perform material duties for purposes of this clause (ii)); and (iii) the Seller's conviction of, or plea of "guilty" or "no contest" to a criminal offense involving moral turpitude, relating to the Purchaser or its Affiliates (including the Company), or involvement in discrimination or harassment of another employee or third party.

"Closing Working Capital" means, as calculated on a consolidated basis for the Company and the Company Subsidiaries, an amount equal to (a) the amount of current assets (excluding Company Cash) of the Company and the Company Subsidiaries (which shall include: (1) accounts receivable less a proper and reasonable allowance for doubtful accounts; (2) prepaid expenses, deposits and other current assets; (3) unbilled receivables; (4) account receivables; and (5) negative credit card balances) *minus* (b) the amount of current liabilities of the Company and the Company Subsidiaries (which shall include (1) accounts payable; (2) accrued expenses, including but not limited to accrued Taxes, payroll and benefits (including any accrued bonuses, expense reimbursement and vacation, but excluding unpaid bonuses and unfunded employee benefits to the extent included in Company Debt), consulting expenses to third-party contractors and vendors, professional service fees and royalties payable to any Governmental Authority, and any deferred compensation benefits to employees or third party contractors; (3) other accrued and unpaid current liabilities; (4) customer credit and refunds; and (5) deferred revenues, including declared but unpaid dividends; excluding any unpaid Transaction Expenses and Company Debt); in each case as calculated in accordance with the Accounting Principles, as of the Closing; provided that (x) the foregoing will not include deferred Tax assets or deferred Tax liabilities and intercompany balances between the Company and the Company Subsidiaries, if any, and (y) the Closing Working Capital shall be calculated net of any 'claw-back' (i.e., the repayment of any amounts from the Company to any third party revenue partner) or other amounts that are otherwise repaid to a counterparty (including by way of set off against future payments to the Company or a Company Subsidiary), whether or not such claw-back is notified or effected prior to Closing or otherwise.

"Closing Working Capital Balance" means either (i) the amount by which the Closing Working Capital Target exceeds the Closing Working Capital (if any) (in which case such amount shall be a negative amount) (such negative amount, the "Closing Working Capital Deficiency") or (i) the amount by which the Closing Working Capital exceeds the Closing Working Capital Target (if any) (in which case such amount shall be a positive amount).

"Closing Working Capital Target" means $0.

"Code" means the U.S. Internal Revenue Code of 1986, as amended.

"Company Subsidiary" any direct or indirect Subsidiary of the Company.

"Company Cash" means the aggregate amount of the Company's and/or the Company Subsidiaries' unrestricted cash and cash equivalents.

"Company Debt" means, without duplication, any of the following indebtedness of the Company and the Company Subsidiaries, on a consolidated basis (whether or not contingent and including, without limitation, any and all principal, accrued and unpaid interest, prepayment premiums or penalties, redemption costs and fees, related expenses, commitment and other fees, sale or liquidity participation amounts, reimbursements, indemnities and other amounts which would be payable in connection therewith): (i) any obligations for borrowed money or in respect of loans or advances (whether or not evidenced by bonds, debentures, notes, or other similar instruments or debt securities); (ii) any obligations as lessee under any lease or similar arrangement required to be recorded as a capital lease in accordance with Accounting Principles; (iii) all liabilities under or in connection with letters of credit or bankers' acceptances, performance bonds, sureties or similar obligations that have been drawn down, in each case, to the extent of such draw; (iv) any obligations to pay the deferred purchase price of property, goods or services (including any "earn-out" or similar payments, but excluding ordinary course of business trade payables that are included in the working capital calculations in the definition of Closing Working Capital); (v) all liabilities arising from cash/book overdrafts; (vi) all liabilities under conditional sale or other title retention agreements; (vii) all obligations with respect to customer advances or any other advances made by such person; (viii) all liabilities arising out of interest rate, financial derivatives and currency swap arrangements and any other arrangements designed to provide protection against fluctuations in interest or currency rates; (ix) any liability or obligation of others guaranteed by, or secured by any Lien on any assets or properties of, the Company or any Company Subsidiary; (x) any long term liability required to be identified in accordance with Accounting Principles; (xi) any unpaid bonuses and unfunded employee benefits (including any pension, severance, employee benefits accruals or other liabilities required by Applicable Law) relating to any period on or prior to the Closing (including, without limitation, any and all amounts paid or payable to employees or consultants of the Company or its Affiliates with respect to any commissions).

"Company Disclosure Schedule" means the disclosure schedules, attached hereto as Exhibit Q, dated as of the date of this Agreement that have been delivered by the Company pursuant to Article III.

"Company Intellectual Property" means any Intellectual Property that is owned by or licensed to the Company or any Company Subsidiary, or otherwise used or held for use in connection with the operation of the business of the Company or any Company Subsidiary, including Company-Owned Intellectual Property.

"Company-Owned Intellectual Property" means any Intellectual Property that is owned by or exclusively licensed to, or purported to be owned by or exclusively licensed to, the Company or any Company Subsidiary.

"Company Source Code" means, collectively, any human readable Software source code, or any material portion or aspect of the Software source code, used for any Company Service (other than with respect to Software licensed to the Company).

"Confidentiality Agreement" means that certain Mutual Non-Disclosure Agreement dated September 9, 2019, by and between Purchaser on its behalf and on behalf of its subsidiaries and affiliates and the Company.

"Confidential Information" means any and all non-public or confidential or proprietary information of the Company or any Company Subsidiary, including Trade Secrets, techniques, know-how, processes, algorithms, Software, design details and specifications, financial information, customer lists, business forecasts, sales and marketing plans, all notes, analyses, reports, compilations, studies, interpretations, summaries or other documents, and any and all non-public or confidential or proprietary information disclosed to the Company or a Company Subsidiary or any of their Representatives by any other Person on a confidential basis.

"Consent" means any consent, approval, license, permission, requirement, exemption, Order, waiver, allowance, novation, authorization, declaration, clearance, filing, registration or notification.

"Contract" means, with respect to a Person, any contract, agreement, understanding, arrangement, undertaking, agreed policy, obligation, promise, commitment, indenture, note or bond (whether written or oral and whether express or implied) (i) to which such Person is a party, (ii) under which such Person has any rights, (iii) under which such Person has any Liability, or (iv) by which such Person, or any of the assets or properties owned or used by such Person, is bound.

"Copyrights" means as set forth in the definition "Intellectual Property".

"Disability" means, with respect to a Seller, that such Seller has been unable to perform his duties of employment or services as a consultant as the result of his incapacity due to physical or mental illness, and such inability, at least one hundred twenty (120) days after its commencement, is determined to be total and permanent by a physician selected by such Seller, and acceptable to Purchaser or its insurers (such acceptance by Purchaser not to be unreasonably withheld, delayed or conditioned).

"Documents" means all files, documents, instruments, correspondence, papers, books, reports, records, tapes, microfilms, photographs, letters, mails, e-mails, budgets, forecasts, ledgers, journals, customer lists, customer files, supplier lists, regulatory filings, operating data and plans, technical documentation (design specifications, functional requirements, operating instructions, logic manuals, flow charts, etc.), user documentation (installation guides, user manuals, training materials, release notes, working papers, etc.), marketing and advertising documentation (sales brochures, flyers, pamphlets, promotional materials, web pages, etc.), and other similar materials, in each case in whatever form, including electronic databases, printed and other electronic media.

"Domain Names" means all Internet domain names, general-use e-mail addresses, Internet electronic addresses, uniform resource locators (URL) and alphanumeric designations associated therewith and all registrations for any of the foregoing, worldwide.

"Escrow Agent" means SunTrust Bank or such other entity selected by the Purchaser and the Sellers' Representative to act as escrow agent under the Escrow Agreement.

"Escrow Agreement" means the escrow agreement by and among the Purchaser, the Sellers' Representative and the Escrow Agent in the form of Exhibit A attached hereto.

"Escrow Increased Percentage" means 17.22%.

"Escrow Percentage" means 15%.

"GAAP" means generally accepted accounting principles in the USA.

"GC Payments" means all payments made to Gil by way of 'Bonus' (as defined in the Key Person Agreement with Gil).

"Gil" means Mr. Gil Canetti.

"Good Reason" means, with respect to any Seller, (i) the failure by Purchaser or an applicable Affiliate to pay to such Seller any material portion of his agreed upon employment remuneration or benefits due to him, (ii) a demand by Purchaser or an applicable Affiliate that such Seller relocate his regular place of work by more than forty (40) miles, without the consent or agreement of such Seller, (iii) demotion of the Seller to a level of management of the business unit that is below General Manager of business unit or Co-General Manager of business unit, or (iv) a reduction prior to the second anniversary of the Closing Date, in the Seller's compensation entitlement under his Key Person Agreement, without the consent or agreement of such Seller, provided that in each case that (x) the relevant Seller has notified Purchaser in writing that he believes that such a condition has occurred and the Purchaser has not remedied or cured such conduct within thirty (30) days after its receipt of such notice, and (y) a resignation shall only be for Good Reason where such resignation is within ninety 90 days of the relevant Good Reason event, and is stated by the applicable Seller as being the cause of such resignation at that time.

"Governmental Authority" means any: (a) nation, principality, state, commonwealth, province, territory, county, municipality, district or other jurisdiction of any nature, (b) federal, state, local, municipal, or other government, (c) governmental, quasi-governmental or regulatory body of any nature, including any governmental division, subdivision, department, agency, bureau, branch, office, commission, council, board, instrumentality, organization, unit, or body, or (d) court, arbitrator, public tribunal or other body exercising, or entitled to exercise, any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power of any nature.

"Governmental Authorization" means any: (a) permit, license, certificate, franchise, permission, clearance, registration, qualification or authorization issued, granted, given or otherwise made available by or under the authority of any Governmental Authority or pursuant to any Applicable Law; or (b) right under any Contract with any Governmental Authority.

"Governmental Grant" means any grant, incentive, subsidy, award, participation, exemption, status, cost sharing arrangement, reimbursement arrangement or other benefit, relief or privilege provided or made available by or on behalf of or under the authority or funding of any Governmental Authority.

"Hazardous Substances" means any pollutant, contaminant, waste or chemical or any toxic, radioactive, ignitable, corrosive, reactive or otherwise hazardous substance, waste or material, or any substance, waste or material having any constituent elements displaying any of the foregoing characteristics, including petroleum, its derivatives, by-products and other hydrocarbons, and any substance, waste or material regulated under any Applicable Law relating to human health and safety, the environment or any of the foregoing substances.

"Intellectual Property" means any and all worldwide industrial and intellectual property rights and all rights associated therewith, whether or not registered or applied for, including (a) all inventions (whether patentable or unpatentable and whether or not reduced to practice), invention disclosures and improvements thereon; (b) all patents and patent applications, together with all reissuances, renewals, extensions, provisionals, continuations, continuations-in-part, divisions, revisions, supplementary protection certificates, extensions and re-examinations thereof (collectively, "Patents"); (c) trademarks, common law trademarks, service marks, trade names, service names, brand names, trade dress rights, logos and other indicia of commercial source or origin, together with the goodwill associated with any of the foregoing throughout the world, and all applications, registrations and renewals thereof anywhere in the world (collectively, "Trademarks"); (d) Domain Names; (e) works of authorship (whether or not copyrightable), including copyrights, and registrations, applications and renewals for any of the foregoing (collectively, "Copyrights"); (f) all trade secrets and rights in confidential, non-public or proprietary information and know-how (collectively, "Trade Secrets"); (g) all software, including data files, source code, object code, databases, application programming interfaces, and related specifications and documentation (collectively, "Software"); (h) moral and economic rights of authors and investors; and (i) all other proprietary rights whether now known or hereafter recognized in any jurisdiction.

"Internet Resources" means all Domain Names, electronic addresses, uniform resource locators (URL), websites, mobile apps, databases, Internet blogs, social media sites (e.g., Facebook, YouTube, Twitter), adtech platforms, DSPs, SSPs, data brokers, and similar online resources.

"IRS" means the United States Internal Revenue Service.

"Israeli Tax Authority" means the Israel Tax Authority.

"Israeli Tax Ordinance" means the Israeli Income Tax Ordinance (New Version), 1961, and any regulations promulgated thereunder, as may be amended from time to time.

"Key Counterparty" means those Persons set forth in Exhibit O.

"Key Persons" means Asaf Katzir, Ziv Yirmiyahu, and Gil Canetti.

"Knowledge" (and expressions of similar import) means (i) with respect to the Company, the knowledge of each of the following: the Key Persons; and (ii) with respect to a Seller, the knowledge of such Seller. A Person will be deemed to have "Knowledge" of a particular fact or matter if such Person is actually aware of such fact or matter having made due inquiry of the appropriate employees and consultants of the Company and/or the Company Subsidiaries.

"Liability" means any and all debts, liabilities, Tax, penalty, fine, judgment, losses, cost or expense (to the extent that such costs and expenses are actually incurred), obligations and commitments of whatever nature, fixed, absolute or contingent, matured or un-matured, accrued or unaccrued, liquidated or unliquidated or due or to become due, (including those arising out of any Contract or tort, whether based on negligence, strict liability or otherwise).

"Lien" means, with respect to any security, property or asset, as the case may be, any mortgage, lien, pledge, charge, security interest, encumbrance, hypothecation, option, easement, trust, equitable interest, servitude, proxies (other than any proxies provided hereunder), right of first refusal, defect in title, impediment of title, impairment of title, imperfection of title, preemptive right or restrictions or rights of third parties of any nature (including any spousal community property rights, any restriction on the voting, transfer, receipt of any income derived from, the possession of any security, or the exercise or transfer of any other attribute of ownership of a security) or other adverse claim of any kind in respect of such property or asset, existing or known to be pending restriction on the use of any asset or the possession, exercise or transfer of any attribute of ownership of any asset, or any claim with respect to any of the foregoing. Without derogating from the foregoing, a Person shall be deemed to own subject to a Lien any property or asset that it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such property or asset.

"Losses" means any and all losses, Liabilities (only to the extent not otherwise covered by this definition), damages, deficiencies, fines, payments, Taxes, costs and expenses (to the extent that such costs and expenses are incurred in connection with Losses), whether or not arising from or in connection with any third-party claims (including, without limitation, interest, penalties actually incurred, attorneys', accountants', consultants' and experts' costs, fees and expenses and all amounts paid in investigation, preparation for, defense or settlement of any Proceedings) or any other default, adverse judgments, settlements and compromises plus interest actually and reasonably payable in connection therewith from the date of incurrence.

"Material Adverse Effect" means any event, change, effect, condition or circumstance that, when taken individually or together with any other adverse events, changes or effects, (a) is, or is reasonably likely to be, materially adverse to the business, assets, liabilities, affairs, operations, prospects, results of operations, cash flows or condition (financial or otherwise) of the Company or the Company Subsidiaries; or (b) does, or is reasonably likely to, prevent or materially delay consummation of the transactions contemplated by this Agreement or performance by the Company or any Company Subsidiary or any Seller of any material obligations under this Agreement or the Transaction Documents; other than an effect to the extent resulting from: (i) any change, effect, event, occurrence, condition, development or state of facts arising from or relating to changes or conditions generally affecting the industries or markets related to the business of the Company or any Company Subsidiary to the extent that such changes or conditions do not have a disproportionate adverse effect on such Company as a whole relative to other similarly situated companies, (ii) any change in the general business, market, technological, economic, capital market, financial, political or regulatory conditions worldwide or in any territory in which the Company or any Company Subsidiary operates, to the extent that such changes or conditions do not have a disproportionate adverse effect on such Company as a whole relative to other similarly situated companies, (iii) any change in GAAP or other applicable accounting standards, requirements or principles, or Applicable Laws, or the interpretation of the foregoing, (iv) any political conditions (or changes in such conditions) acts of war, armed hostilities, sabotage or terrorism (including any escalation or general worsening of any such acts of war, armed hostilities, sabotage or terrorism) or other national or international calamity, crisis or emergency, or any governmental or other response or reaction to any of the foregoing, in each case, whether occurring within or outside of Israel, to the extent that such acts do not have a disproportionate adverse effect on such Company as a whole relative to other similarly situated companies operating in the same industries or geographies as the Company, or (v) any failure by the Company or any Company Subsidiary to meet any internal or published projections, estimates, forecasts of financial or operating performance.

“Noncompete Period” means the period commencing on the date hereof and ending on the later to occur of (i) four (4) years following the Closing or (ii) the date that is one (1) year following termination (for any reason whatsoever) of such Seller's employment, consulting or other relationship with the Company or any Company Subsidiary.

“Open Source Materials” means any Software or other material that (i) is subject to any agreement with terms or conditions that impose any requirement that any software using, linked with, incorporating, distributed with, based on, derived from or accessing, the software: (A) be disclosed, made available or distributed in source code or object code form; (B) be licensed for the purpose of making derivative works and/or redistributable; (C) be licensed under terms that allow or permit any third party to decompile, recompile, update, modify, reverse engineering, reverse assembly or disassembly all or any part of the software or merge the software into any other software; or (D) be redistributable at no charge. Open Source Materials includes, but is not limited to, any Software which is licensed under a license which complies with the Open Source Initiative Corporation’s (OSI) open source definition or which is, or is equivalent to, a license approved by OSI, or Software licensed or distributed under any of the following licenses or distribution models, or licenses or distribution models similar to any of the following: GNU’s General Public License (GPL) or Lesser/Library GPL (LGPL); the Perl Artistic License; the Mozilla Public License(s); the Netscape Public License; the Berkeley Software Design (BSD) license including Free BSD or BSD-style license; the Sun Community Source License (SCSL); the Apache license; and any licenses listed at http://www.opensource.org/licenses.

“Option(s)” means (i) securities, instruments or obligations that are or may become convertible into or exchangeable for membership, ownership and/or equity interests or other securities of the Company or any Company Subsidiary; (ii) subscriptions, options, calls, convertible notes, warrants or rights (whether or not currently exercisable) to acquire any membership, ownership and/or equity interests or other securities of the Company or any Company Subsidiary; and (iii) Contracts under which the Company is or may become obligated to sell or otherwise issue any membership, ownership and/or equity interests or other securities.

“Order” means any temporary, preliminary or permanent order, injunction, judgment, decree, edict, pronouncement, determination, reported decision, published opinion, verdict, sentence, stipulation, subpoena, ruling, writ, assessment or award that is or has been issued, made, entered, rendered or otherwise put into effect by or under the authority of any court, administrative agency or other Governmental Authority or any arbitrator or arbitration panel or any Contract with any Governmental Authority that is or has been entered into in connection with any Proceeding.

“Organizational Documents” means, as applicable, the certificate or articles of incorporation, memorandum of association, limited liability company agreement, certificate or articles of formation or organization, as applicable, and bylaws, shareholder agreements, operating agreements, partnership agreements, investor rights agreement, voting agreement, and any similar governing or constitutive documents or agreements of any Person, each as currently in effect.

“Parent” means Perion Network Ltd.

“Partnership Audit Regime” means the centralized partnership audit rules of Sections 6221 through 6241 of the US Internal Revenue Code of 1986, as amended, and any regulations promulgated or proposed under any such Sections and any administrative guidance with respect thereto, and any similar rules under state or local tax law.

"Patents" means as set forth in the definition "Intellectual Property".

"Person" means any individual, corporation, partnership, limited liability company, firm, joint venture, association, trust, estate, unincorporated organization, Governmental Authority or other entity.

"Pre-Closing Tax Period" means any Tax period ending on (and including) the Closing Date and the portion of any Straddle Period ending on (and including) the Closing Date.

"Pro Rata Portion" means, with respect to Asaf, 54%, and with respect to Ziv, 46%.

"Proceeding" means any action, suit, litigation, arbitration, proceeding (including any civil, criminal, administrative, investigative or appellate proceeding), hearing, inquiry, audit, examination or investigation commenced, brought, conducted or heard by or before, or otherwise involving, any court or other Governmental Authority or any arbitrator or arbitration panel.

"Purchaser's Accounting Principles" means the accounting methods and policies applied by Purchaser in the preparation of the audited consolidated financial statements of Parent and its Subsidiaries.

"Purchaser Business" means services relating to (i) online advertising solutions for advertisers and publishers (typically solutions related to branded and/or video advertisements) (currently operated as part of the 'Undertone' business unit), (ii) distribution and monetization of internet search results (currently operated as part of the 'CodeFuel' business unit), (iii) management of online advertising campaigns on social networks through a platform on fully-manage and self-service (currently operated as part of the 'MakeMeReach' business unit), and (iv) online creation tools for cards (such as "e-cards"), invitations, and slideshows, (currently operated as part of the 'Smilebox' business unit).

"Purchaser M&A Event" means (i) any merger (including a reverse triangular merger) or consolidation in which the Parent is a constituent party, except any such merger or consolidation in which the shares of the Parent outstanding immediately prior to such merger or consolidation continue to represent, or are converted into or exchanged for shares of share capital that represent, immediately following such merger or consolidation, at least a majority, by voting power, of the share capital of (1) the surviving or resulting corporation or (2) if the surviving or resulting corporation is a wholly owned subsidiary of another corporation immediately following such merger or consolidation, the parent corporation of such surviving or resulting corporation, or (ii) any acquisition by any Person (or group of affiliated or associated Persons), of at least a majority of the shares of the Parent (other than as a result of issuance of equity or securities convertible into equity by the Parent for the purpose of raising funds) in a single transaction or a series of related transactions.

"Registered Intellectual Property" means any Intellectual Property that is the subject of an application, certificate, filing, registration, issuance, renewal or other document issued, filed with, or recorded by any Governmental Authority, including Patents, Trademarks, Copyrights and Domain Names.

"Representative(s)" means, with respect to any Person, such Person's Affiliates, directors, officers, employees, agents, consultants, advisors and other representatives, including legal counsel, accountants and financial advisors, in each case, to the extent acting on behalf of such Person.

"Sellers Disclosure Schedule" means the disclosure schedule dated as the date of this Agreement that has been delivered by the Sellers to the Purchaser pursuant to Article IV.

"Sellers' Representative" means Asaf (or in his absence or unavailability, Ziv), or any other representative appointed as a successor or in replacement thereof, from time to time, in accordance with this Agreement.

"Software" means as set forth in the definition "Intellectual Property".

"Subsidiary" means, with respect to any Person, any entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at any time directly or indirectly owned by such Person.

"Straddle Period" means any Tax period beginning on or before and ending after the Closing Date.

"Tax" or "Taxes" means any and all taxes, charges, duties, fees, levies, imposts or other assessments, reassessments, or mandatory payments of any kind whatsoever, whether direct or indirect, imposed by or payable to or accrued to the benefit of any Israeli, U.S. federal, state, municipal, local or other tax authority and/or Governmental Authority, including, without limitation, gross income, net income, gross receipts, license, payroll, employment, workers' compensation, excise, severance, national security insurance, health, stamp, occupation, premium, windfall profits, environmental, customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, property, personal property, sales, use, transfer, registration, value added, business, ad valorem, duties, turnover, goods, production, occupancy, utility, services, municipal, real property, abandoned property under escheatment laws, capital gain, transfer and gain, alternative or add-on minimum, estimated, or other taxes or mandatory payments of any kind whatsoever, including any interest, penalty, or addition thereto, whether disputed or not, including any liability for the foregoing by reason of membership in affiliated, consolidated, combined, unitary or similar Tax group by Contract and any obligation to assume or succeed the Liability of any other Person with respect to any of the forgoing.

"Tax Return" means any return, statement, declaration, estimate, schedule, notification, form, election, notice, certificate, report or other document that is or has been filed with or submitted to, or is or was required to be filed with or submitted to any Governmental Authority in connection with the determination, assessment, collection, or payment of any Tax or in connection with the administration, implementation or enforcement of or compliance with any Law related to any Tax (including any attachments thereto, and any amendment thereof) including, but not limited to, any information return, claim for refund, amended return or declaration of estimated Tax, and including, where permitted or required, com-bined, consolidated or unitary returns for any group of entities that includes the Company or any Company Subsidiary, a Seller, or any of their Affiliates.

"Tax Authority" means the Israeli, U.S., or other tax authority and any other Governmental Authority responsible for the imposition, assessment, collection or administration of any Tax.

"Third Party" means (whether or not a capitalized term) any Person, including the parties hereto, other than the referenced Person or Persons.

"Trademarks" means as set forth in the definition "Intellectual Property".

"Trade Secrets" means as set forth in the definition "Intellectual Property".

"Transaction Documents" means this Agreement, its exhibits and schedules and any and all other Contracts, certificates and documents attached, ancillary or to be delivered pursuant hereto or thereto.

"Transaction Expenses" means, without duplication, any and all (whether or not disclosed) (i) unpaid costs, fees and expenses (including value added tax thereon) of outside professionals incurred prior to or at the Closing or payable prior to or at the Closing by the Company or any Company Subsidiary (whether on its behalf or for any Seller) arising from or in connection with the negotiation, execution and consummation of the Transaction Documents and transactions contemplated thereby, including all legal fees, Tax payable in connection with fees, consulting, accounting, audit, investment banking, broker, finder, financial advisor or other similar fees, (ii) change of control, bonus, termination, severance or other similar payments that are payable by the Company and/or a Company Subsidiary to any Person (including any employee, consultant or service provider thereof) following the Closing as a result of or in connection with the transactions contemplated by this Agreement and the other Transaction Documents (alone or in combination with any other event) and which were accrued, agreed, undertaken or incurred prior to or at the Closing, (iii) employer payroll Taxes, arising directly in connection with the payment of the foregoing or a payment of any portion of the Aggregate Consideration to any Person; but for purposes of the Closing Working Capital, without duplication of amounts taken into account in determining the Liabilities included therein.

"Transactions" means the purchase of all the Ownership Interests by the Purchaser and all the other transactions contemplated by this Agreement and the other Transaction Documents.

Section 1.02 Additional Definitions.

Term	**Section**
Accounting Arbitrator	Section 2.02(d)(5)
Additional Escrow Amount	Section 2.02(c)
Additional Payments	Section 2.03
Adjustment Shortfall Amount	Section 2.02(d)(10)
Agreed Amount	Section 10.03(c)
Allocation	Section 2.07(a)
Arbitrator Paramaters	Section 12.05
Asset	Section 3.13(b)
Assignment	Section 2.06(b)(1)(i)
Audited Financial Statements	Section 3.08(a)
Balance Sheet Date	Section 3.08(a)
Bankruptcy Events	Section 3.02(b)
Basket	Section 10.02
Budget	Section 8.03(c)
Claim Certificate	Section 10.03(a)
Claimed Amount	Section 10.03(a)
Closing	Section 2.06(a)
Closing Date	Section 2.06(a)
Closing Escrow Amount	Section 2.02(c)

Closing Purchase Price Adjustment Amount	Section 2.02(b)(1)
Company Contractor	Section 3.19(a)
Company Group	Section 7.07(a)(ii)
Company Leased Real Property	Section 3.13(a)
Company Registered Intellectual Property	Section 3.16(b)
Company Services	Section 3.16(a)
Contested Amount	Section 10.03(c)
Data	Section 3.16(o)
Data Standards	Section 3.16(o)
Determination Materials	Section 2.02(d)(5)
Dispute Period	Section 10.03(c)
Earnout Calculation	Section 2.04(b)(1)
Earnout Calculation Delivery Date	Section 2.04(b)(1)
Earnout Escrow Amount	Section 2.02(c)
Earnout Payments	Section 2.04(a)
Earnout Review Period	Section 2.04(b)(2)
ERISA Affiliate	Section 3.19(n)
Escrow Fund	Section 2.02©
Escrow Period	Section 2.02©
Estimated Adjustment Statement	Section 2.02(d)(1)
Final Adjustment Statement	Section 2.02(d)(8)
Final Amount	Section 12.11
Financial Statements	Section 3.08(a)
Fraud	Section 10.01(c)
Fundamental Representations	Section 10.01(b)
Indemnifiable Matters	Section 10.02(a)(1)
Information Systems	Section 3.16(r)
Insider Receivables	Section 3.08(g)
Israeli Subsidiary	Section 3.18(m)
KPI Determination Date	Section 2.03(d)(3)
KPI Item	Section 2.03(d)(5)
KPI Satisfaction Calculation	Section 2.03(d)(1)
KPI Satisfaction Review Period	Section 2.03(d)(2)
Leased Assets	Section 3.13(c)

Major Rev-Partners	Section 3.15(a)
Major Suppliers	Section 3.15(a)
Management Accounts	Section 3.08(a)
Material Contract	Section 3.11(a)
Meitar	Section 12.14
Meitar NY	Section 12.14
Non-PII	Section 3.16(o)
Objection	Section 2.02(d)(3)
Paid Tax Amount	Section 2.05(b)(2)
Payor	Section 2.05(a)
PII	Section 3.16(o)
PPACA	Section 3.19(s)
Privacy Policy	Section 3.16(o)
Publication Matters	Section 10.01(b)
Purchase Price	Section 2.02(b)(1)
Purchaser Indemnified Parties	Section 10.01(a)(1)
Quasi Equity Rights	Section 3.07(a)
Real Property Lease	Section 3.13(a)
Realized Closing Working Capital Balance	Section 2.02(d)(2)(ii)
Related Person	Section 3.21
Releasee	Section 7.08(a)
Response Notice	Section 10.03(c)
Restrictive Field	Section 7.07(a)(i)
Section 14 Arrangement	Section 3.19(a)
Special Escrow Agreement	Section 2.05(b)(1)
Special Escrow Amount	Section 2.05(b)(2)
Stipulated Amount	Section 10.03
Survival Period	Section 10.01(b)
Tax Incentives	Section 3.18(l)
Tax Matter	Section 3.19
Template PIAA	Section 3.16(l)
Third Party Claims	Section 10.04
Unaudited Financial Statements	Section 3.08(a)
Undisputed Amounts	Section 2.02(b1)

Unrealized Accounts Receivable	Section 2.02(d)(2)(ii)
Unresolved Claims	Section 10.03(b)(1)
VAT	Section 3.18(n)
Warranty Obligations	Section 3.14(a)
Working Capital Adjustment Date	Section 2.02(d)(2)(i)

Section 1.03 Definitional and Interpretative Provisions.

(a) The words "hereof", "herein" and "hereunder" and words of like import used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. The captions herein are included for convenience of reference only and shall be ignored in the construction or interpretation hereof. References to Articles, Sections, Exhibits and Schedules are to Articles, Sections, Exhibits and Schedules of this Agreement, unless otherwise specified. All Exhibits and Schedules annexed hereto or referred to herein are hereby incorporated in and made a part of this Agreement as if set forth in full herein. Any capitalized terms used in any Exhibit or Schedule but not otherwise defined therein, shall have the meaning as defined in this Agreement. Any singular term in this Agreement shall be deemed to include the plural, and any plural term the singular. Whenever the words "include", "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation", whether or not they are in fact followed by those words or words of like import. All references to time shall refer to New York City time. The word "extent" in the phrase "to the extent" means the degree to which a subject or other thing extends, and such phrase shall not mean simply "if". The use of the word "or" shall not, necessarily, be exclusive. Any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not be applied in the construction or interpretation of this Agreement. Any agreement or instrument defined or referred to herein, or in any agreement or instrument that is referred to herein, means such agreement or instrument as from time to time amended, modified or supplemented. Other terms may be defined elsewhere in the text of this Agreement and shall have the meaning indicated throughout this Agreement. The term "Dollar", "$", or US$ shall refer to the currency of the United States of America. Unless otherwise specified, time periods within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and including the day on which the period ends and by extending the period to the first Business Day following if the last day of the period is not a Business Day. Any action under this Agreement that would be required to occur on a Friday due to the classification of such Friday as a "Business Day" pursuant to this Agreement shall instead be required to occur on the following Monday. Any reference to an item being "in writing" shall include any written form, as well as email and/or facsimile.

(b) The term "made available to Purchaser" or "provided to the Purchaser" in the following sections of this Agreement: Section 3.15(c), Section 3.18(d), Section 3.18(l), Section 3.191.1(g), Section 3.04(a) and Section 3.08(g) means a document was uploaded to the ciq Dropbox electronic datasite and made available for review by Purchaser and its designated counsels or advisors at least two (2) Business Days prior to the date hereof (unless otherwise approved in writing by Purchaser).

ARTICLE II
PURCHASE OF OWNERSHIP INTERESTS

Section 2.01 Purchase and Sale of the Ownership Interests

Upon and subject to the terms and subject to the conditions contained herein, on and effective as of the Closing, (i) the Sellers shall sell and assign to Purchaser, and Purchaser shall purchase and acquire from the Sellers, all of the Ownership Interests, free and clear of any and all Liens, (ii) the Sellers shall cease being members of the Company, and (iii) Purchaser shall be admitted as the sole member of the Company.

Section 2.02 Consideration.

(a) General. In consideration for the sale, assignment, transfer and delivery of all Ownership Interests to the Purchaser at the Closing under the terms and conditions of this Agreement, each Seller shall be eligible to receive, subject to the terms of this Agreement and the procedure set forth in this Section 2.02, such Seller's respective Pro Rata Portion of the Purchase Price, subject to the withholding, adjustment and deductions as provided herein.

(b) The Purchase Price. The purchase price shall consist of (i) US$15,000,000, *plus* (ii) the Additional Payments, *plus* (iii) the Earnout Payments, in each case as provided herein (collectively, the "Purchase Price") and shall be paid, subject to withholdings, adjustments and deductions set forth herein, as follows:

(1) A cash payment in the amount of US$15,000,000, *less* (i) the aggregate unpaid Transaction Expenses as of the Closing, *plus* (ii) the Company Cash as of the Closing, *less* (iii) the aggregate Company Debt as of Closing (the amounts in clauses (i) through (iii) collectively referred to as the "Closing Purchase Price Adjustment Amount"), and *less* (iv) the Closing Escrow Amount, (the result being the "Closing Payment"), shall be delivered by the Purchaser to the Sellers on the Closing;

(2) Cash payments equal to the Realized Closing Working Capital Balance (which may be a negative amount), payable in accordance with Section 2.02(d)(2).

(3) The Additional Payments, *less* the Additional Escrow Amounts, which shall be payable in accordance with Section 2.03 and Part 1 of Exhibit B;

(4) The Earnout Payments, *less* the Earnout Escrow Amounts, which shall be payable in accordance with Section 2.04 and Part 2 of Exhibit B; and

(5) The Escrow Fund, which shall be payable in accordance with Section 2.02.

Unless otherwise specified (such as with respect to the Additional Payments), each payment of Purchase Price to the Sellers shall be apportioned among the Sellers in accordance with their respective Pro Rata Portions.

(b1) Late Payment of Undisputed Amounts Due. In the event that the Purchaser shall not timely pay any undisputed portion of an Earnout Payment or an Additional Payment under this Agreement that both the Purchaser and the Sellers Representative agree are payable (or that are otherwise determined to be due pursuant to Section 2.04(b)(4) (*Resolution of Disputes Relating to an Earnout Payment*) (such undisputed amounts, the "Undisputed Amounts") (for avoidance of doubt, in case of any dispute of whatever nature, including under indemnities and/or any set off rights, such amounts shall not be considered undisputed) for a period of more than ten (10) Business Days following written notice thereof by the Sellers to the Purchaser, then without prejudice to any other right or remedy available to the Sellers to enforce such payment such payment shall be deemed to include an 8% simple interest per annum, calculated with respect to any portion of such Undisputed Amounts from the date on which such Undisputed Amounts was due pursuant to this Section (i.e. the date on which it became undisputed) to be paid to the Sellers, and until actual payment of such amount.

(c) Escrow Fund.

The Purchaser will deliver to the Escrow Agent: (A) at the Closing an amount equal to the Escrow Percentage of the sum of (i) US$15,000,000, and (ii) the Closing Purchase Price Adjustment Amount (such amount, the "Closing Escrow Amount"); (B) upon payment of each Additional Payment, an amount equal to the Escrow Percentage of the amount actually paid in each Additional Payment (each such amount being an "Additional Escrow Amount"), and (C) upon payment of each Earnout Payment, the Escrow Increased Percentage of each Earnout Payment (each such amount being an "Earnout Escrow Amount"), (provided that in the event that a payment from the Escrow Fund has actually been made to the Purchaser pursuant to Section 10.02(a)(1)(xi) (*Employee Equity Claims*) or (xii) (*Employee IP Claims*), the Additional Escrow Amount and the Earnout Escrow Amount shall be increased by an amount equal to such payment from the Escrow Fund), in each case to be held and released by the Escrow Agent pursuant to the Escrow Agreement (the Closing Escrow Amount, together with the Additional Escrow Amounts, the Earnout Escrow Amounts, any amounts deposited pursuant to Section 12.11, and all income and interest earned or accrued on the foregoing, being the "Escrow Fund"), with the contents of the Escrow Fund to be held, subject to Article X, until the expiration of 24 months from the Closing (the "Escrow Period"). The Escrow Fund will be available to secure the indemnification and other payment obligations of the Sellers pursuant hereto, and be held and distributed in accordance with the terms of this Agreement and the Escrow Agreement. The Escrow Fund shall be deemed to have been contributed by each Seller based on its Pro Rata Portion.

(d) Purchase Price Adjustment.

(1) The statement, attached as Exhibit C hereto sets forth in reasonable detail the Company's good faith estimates of the: (A) Closing Working Capital, (B) Closing Working Capital Balance, (C) Company Cash, (D) Company Debt, (E) the aggregate unpaid Transaction Expenses of the Company, and (F) the calculation of the estimated Closing Purchase Price Adjustment Amount and the resulting Closing Payment. Such statement has been certified by the executive officers of the Company to have been prepared in good faith as of the Closing, pro forma for the Closing, on a consolidated basis, and based on the Accounting Principles (the statement, as so approved, the "Estimated Adjustment Statement"). The calculation of the amount by which the Purchase Price shall be reduced or increased by the Closing Purchase Price Adjustment Amount as of the Closing (if any, and subject to subsection (2)) shall be based on the Estimated Adjustment Statement.

(2) Realized Closing Working Capital Balance.

(i) If on the date that is sixty (60) days after the Closing Date (the "Working Capital Adjustment Date"): (A) the Realized Closing Working Capital Balance is positive, the Purchaser shall within fifteen (15) Business Days following the Working Capital Adjustment Date, pay to the Sellers in cash by wire transfer, in accordance with their respective Pro Rata Portions the amount of the Realized Closing Working Capital Balance on the Working Capital Adjustment Date, and (B) the Realized Closing Working Capital Balance is negative, the Sellers shall within fifteen (15) Business Days following the Working Capital Adjustment Date, pay to the Purchaser in cash by wire transfer, an amount equal to the Realized Closing Working Capital Balance, with each Seller responsible for wiring such Seller's Pro Rata Portion of such amount. Without limitation of the foregoing, the Purchaser may at any time recover any negative Realized Closing Working Capital Balance, to the extent not paid by the Sellers as contemplated by the preceding sentence, by recovering such amount from the Escrow Fund, or by setting-off any other amounts payable to the Sellers pursuant to Section 12.11. For the avoidance of doubt, no amounts paid to the Sellers as Realized Closing Working Capital Balance shall be taken into account for the purpose of calculating the Escrow Fund and for the purpose of calculating the liability caps set forth in Section 10.02(b).

(ii) The "Realized Closing Working Capital Balance" at any time for determination shall be equal to the amount of the Closing Working Capital Balance as of the Closing, subject to a reduction by the aggregate amount of all accounts receivable included in the Closing Working Capital that have not been fully paid and satisfied in cash on or prior to such time of determination (being "Unrealized Accounts Receivable").

(iii) In the event that Purchaser's payment under clause (ii) is reduced by the amount of accounts receivable that are not paid and satisfied in cash on or prior to the Working Capital Adjustment Date, following the Working Capital Adjustment Date and until the first anniversary of the Closing Date, Purchaser shall within 30 days of the later of its receipt of such and the date of the Final Adjustment Statement, pay to the Sellers in cash by wire transfer, in accordance with their respective Pro Rata Portions, the amount of such Unrealized Accounts Receivable (to the extent that such Unrealized Accounts Receivable is included in the Closing Working Capital in the Final Adjustment Statement) that are subsequently received by the Company, and which were not otherwise paid to the Sellers pursuant hereto.

(3) Within ninety (90) days after the Closing Date, the Purchaser may deliver in writing to the Sellers' Representative any objections that the Purchaser may have with respect to the Estimated Adjustment Statement setting forth in reasonable detail the basis for such objections (an "Objection").

(4) The Purchaser and the Sellers' Representative shall attempt in good faith to reach agreement resolving all matters set forth in the Objection within thirty (30) days after its delivery. If the Purchaser and the Sellers' Representative reach an agreement, the amounts so agreed shall be final and such agreement shall constitute the Final Adjustment Statement.

(5) In the event that the Purchaser and the Sellers' Representative cannot agree within such thirty (30) days period (or such longer period as the Purchaser and Sellers' Representative shall agree in writing) on all matters set forth in the Objection, then the Estimated Adjustment Statement, the Objection and any supporting documentation referred to in subsection (1) above and other documentation provided by Purchaser in connection with the matters underlying its Objection (collectively, the "Determination Materials") will be promptly submitted to confidential binding arbitration, which may be initiated by either of the Purchaser or the Sellers' Representative by written notice to the other, within 20 days of the lapse of the above 30-day period. The arbitration shall be conducted in accordance with the rules provisions of the Arbitration Law, except as otherwise provided herein. The arbitration shall be conducted by one arbitrator, mutually agreed on by the Purchaser and Sellers' Representative, who shall be a partner in one of the "big 4" accounting firms in New York City, New York having proficiency and expertise in the applicable generally accepted accounting principles (the "Accounting Arbitrator"). If no agreement is reached on the identity of the Accounting Arbitrator within ten (10) days following the notice initiating the arbitration, the identity of the Accounting Arbitrator will be one of the "Big 4" accounting firms, other than the auditor of the Company and/or the Purchaser. The seat or place of arbitration shall be New York City, New York or such other place mutually acceptable to the Purchaser and the Sellers' Representative.

(6) The Accounting Arbitrator shall be appointed for the limited purpose of resolving the matters set forth in the Objection, based solely on the Determination Materials and presentations by the Purchaser and the Sellers' Representative and their respective Representatives, and not by independent review. In resolving any Objection, the Accounting Arbitrator (i) will not review any matters not specifically relating to the Objection, (ii) shall not assign a value to any such item greater than the greatest value for such item claimed by either the Purchaser or Sellers' Representative in the Estimated Adjustment Statement or less than the smallest value for such item claimed by either the Purchaser or Sellers' Representative in the Estimated Adjustment Statement and its determination may not be outside the range comprised of the calculation of such items in the Purchaser's Objection or the Estimated Adjustment Statement; (iii) shall rule only on the objections raised by the Purchaser in the Objection, accepting all other aspects of the Estimated Adjustment Statement; (iv) shall make its determination regarding the Closing Working Capital in accordance with the Accounting Principles, and in accordance with the provisions hereof defining Closing Working Capital (to the extent they are inconsistent with the Accounting Principles) and shall have no right, authority or discretion to employ any other accounting standard, principles or policies (except as set forth herein). The Accounting Arbitrator shall not have authority to consider or determine any other matter. The Accounting Arbitrator shall conduct such hearings or hear such presentations by each of the Purchaser and the Sellers' Representative as the Accounting Arbitrator deems necessary. The Accounting Arbitrator shall not be bound by procedural law or rules of evidence and shall have no authority to issue any injunctions, Orders or other interlocutory remedies but will rule consistently with the substantive law of the State of New York, disregarding its conflict of law rules, and will provide a reasoned decision. The Purchaser and the Sellers' Representative shall use all reasonable efforts to cause the Accounting Arbitrator to issue its written determination as promptly as practicable, and in no event later than the thirty (30) days after its acceptance of its appointment, and the Accounting Arbitrator's award and the resulting calculation of Closing Purchase Price Adjustment Amount and Closing Working Capital Balance from such determination shall be the Final Adjustment Statement. The Accounting Arbitrator's determination, and the Final Adjustment Statement reflecting such determination, shall be final, conclusive and binding on the Purchaser, Sellers' Representative and the Sellers and will be enforceable in a court of law. The proceedings described herein and the Accounting Arbitrator's determination shall be the sole and exclusive resolution relating to the determination of the Final Adjustment Statement, if any, and any objection or dispute related thereto. The parties hereby waive to the fullest extent permitted by Applicable Law any right to appeal or to review such award by any court or tribunal. The costs, fees and expenses of the Accounting Arbitrator and experts appointed pursuant to this Section 2.02(d) shall be equally borne by the Purchaser and Sellers' Representative, unless the Accounting Arbitrator rules otherwise. Each party shall bear its own other costs and fees, including attorney's fees, incurred by that party in the course of the arbitration, except to the extent entitled to indemnification, compensation or reimbursement under this Agreement or as otherwise determined by the Accounting Arbitrator.

(7) Any discussion, negotiations or proceeding hereunder and the content of any discussions or communications with the Accounting Arbitrator, as well as the Accounting Arbitrator's determination, shall be conducted on a confidential basis, and the Accounting Arbitrator (or any attorneys, parties to the arbitration, witnesses, expert, or other persons present at the arbitration) shall be required (if requested by the Purchaser, or other persons present at the arbitration) to execute, prior to the commencement of their service, the Purchaser's standard confidentiality agreement in favor of the Purchaser and the Sellers, which shall contain an undertaking to maintain strict confidentiality regarding the arbitration proceedings. Any information (whether in writing, by testimony or in oral hearings, and whether or not confidential, proprietary or public) provided by the Purchaser or the Sellers' Representative shall only be presented or provided to the Accounting Arbitrator or the experts appointed above (and no other person) in strict confidence, and may not be used in any subsequent or other proceedings. In no event shall either the Purchaser or the Sellers be required to use or produce information that is not directly relevant to resolving the objection reflected in the Objection. No Accounting Arbitrator engagement letter shall modify the terms of this Agreement unless otherwise agreed to by the Purchaser and the Sellers' Representative. Notwithstanding anything to the contrary, in any information of the Purchaser or its Affiliates, the Purchaser may redact proprietary and/or confidential information (including designate customers, purchasers or any other business partners, or products, by code numbers/code names (without disclosing any names)), unless the Accounting Arbitrator determines that such information is reasonably required thereby to reach a resolution, in which case the Accounting Arbitrator shall be provided with such redacted information.

(8) As used herein, the term "Final Adjustment Statement" means (i) the Estimated Adjustment Statement if the Purchaser does not deliver an Objection in accordance with this subsection (d); (ii) if the Purchaser delivers an Objection and all of the disputed items are resolved by mutual agreement, the Estimated Adjustment Statement, as amended, if necessary, to reflect such resolution of all disputes; or (iii) if any Objections are submitted to the Accounting Arbitrator for resolution in accordance with this Section 2.02(d), the Estimated Adjustment Statement, as amended, if necessary, to reflect any resolution of any disputes by agreement of the Purchaser and the Shareholders Representative and the resolution of all other disputes as determined by the Accounting Arbitrator.

(9) If the Closing Payment together with the Realized Closing Working Capital Balance as would have been calculated to the extent that the Closing Purchase Price Adjustment Amount and Closing Working Capital Balance set forth on the Final Adjustment Statement would have been applied at the Closing is higher than the Closing Payment as actually calculated at the Closing and the actual Realized Closing Working Capital Balance determined on the Working Capital Adjustment Date based on the Closing Purchase Price Adjustment Amount and the Closing Working Capital Balance set forth on the Estimated Adjustment Statement, then the Purchaser shall, within ten (10) Business Days, deliver to the Sellers, in accordance with their Pro Rata Portions, the balance between such amounts.

(10) If the Closing Payment together with the Realized Closing Working Capital Balance as would have been calculated using the Closing Purchase Price Adjustment Amount and Closing Working Capital Balance set forth on the Final Adjustment Statement is lower than the Closing Payment as actually calculated at the Closing and the actual Realized Closing Working Capital Balance determined on the Working Capital Adjustment Date based on the Closing Purchase Price Adjustment Amount and the Closing Working Capital Balance set forth on the Estimated Adjustment Statement (the difference between such amounts, the "Adjustment Shortfall Amount"), then the Sellers shall, within ten (10) Business Days, deliver to the Purchaser in cash by wire transfer the Adjustment Shortfall Amount, with each Seller responsible for wiring such Seller's Pro Rata Portion of such amount. Without limitation of the foregoing, the Purchaser may at any time recover the Adjustment Shortfall Amount due and payable, to the extent not reimbursed by the Sellers as contemplated by the immediately preceding sentence, by recovering such amount from the Escrow Fund, or by setting-off any other amounts payable to the Sellers pursuant to Section 12.11. For the avoidance of doubt, the fact that any account receivable is paid and satisfied in cash shall not by itself be deemed to indicate that such account receivable is properly included in the Closing Working Capital Balance.

(11) Nothing in this Section 2.02(d) will be deemed to limit the indemnification rights of the Purchaser Indemnified Parties in accordance with Article X; provided that any amount paid to the Purchaser as a purchase price adjustment pursuant to this Section 2.02 shall not be deemed as a Loss and shall not be claimed by the Purchaser pursuant to Article X.

(12) Any payments made pursuant to this Section 2.02(d) shall be treated as an adjustment to the Purchase Price by the parties for Tax purposes.

Section 2.03 Additional Payments

(a) General. The amount, composition, and timing of certain additional payments for the sale of the Sellers' Ownership Interests (the "Additional Payments") shall be determined as set forth in this Section 2.03 and Part 1 of Exhibit B, and paid pursuant to conditions set forth in Section 2.02, Exhibit B, and otherwise in accordance with this Agreement.

(b) Acceleration of Additional Payments.

(1) The Additional Payments specified in paragraph (1) of Part 1 of Exhibit B (*Additional Payment – Additional Condition Only*) shall be fully accelerated (i) in respect of both of the Sellers, upon a Purchaser M&A Event, and (ii) in respect of either Seller, (x) upon such Seller's death or Disability, provided in each case that such Seller had satisfied the Additional Condition immediately prior to the Purchaser M&A Event, or his death or Disability, or (y) termination not for Cause (and not a termination effected by the other Seller) (each such date referred to in subsection (i) and (ii) is an “Acceleration Date”).

(2) The Additional Payments specified in paragraph (3) of Part 1 of Exhibit B (*Additional Payment – EBITDA Condition*) shall be fully payable (but paid at the end of the relevant period only if and to the extent that the *EBITDA Condition* was fulfilled) in respect of either Seller, upon such Seller's death, provided in each case that such Seller had satisfied the Additional Condition immediately prior to his death (or the circumstances leading to his death) and that the *EBITDA Condition was fulfilled at the end of the relevant periods*.

(c) Timing of Additional Payments. Subject to any applicable limitations set forth in this Agreement, Additional Payments that become payable shall be paid in accordance with ordinary course payroll procedures, at the next following payroll date after either the satisfaction of the applicable Additional Condition or Acceleration Date (unless such payroll date is less than ten (10) Business Days following such time, in which case it shall be the next following payroll date thereafter), provided that (i) the Additional Payments contemplated by paragraph 2 of Part 1 of Exhibit B (*Additional Payments – Tech KPI*) shall be payable within fifteen (15) Business Days of the KPI Determination Date, and (ii) the Additional Payments contemplated by paragraph 3 of Part 1 of Exhibit B (*Additional Payments – EBITDA Condition*) shall not be payable until the Earnout Determination Date with respect to the Earnout EBIDTA for each applicable Earnout Period.

(d) Calculation and Determination of the 2020 Tech KPI Percentage and the 2021 Tech KPI Percentage.

(1) Delivery of the Purchaser's Calculation. Within sixty (60) calendar days following the end of the 2020 Earnout Period and the 2021 Earnout Period, as applicable, Purchaser shall deliver to the Sellers' Representative its calculation (a “KPI Satisfaction Calculation”) setting forth its computation of the aggregate 2020 Tech KPI Percentage or the 2021 Tech KPI Percentage Earnout Payment, as applicable, together the corresponding calculation of the Additional Payment due under paragraph (2) of Part 1 of Exhibit B for such Earnout Period.

(2) Review by the Sellers' Representative. After delivery of a KPI Satisfaction Calculation, the Sellers' Representative shall have a period of sixty (60) calendar days thereafter (the “KPI Satisfaction Review Period”) to review that KPI Satisfaction Calculation and shall have the ability to adjust and fix any required issue relating to any KPI item. During the KPI Satisfaction Review Period, if Purchaser receives a written request from the Sellers' Representative for any additional supporting documentation relating to the satisfaction of the KPIs for such Earnout Period that is reasonably necessary in order to verify the KPI Satisfaction Calculation, the Purchaser shall provide such requested supporting documentation, provided that such documentation (x) is in its possession, and (y) does not include any non-public information, the disclosure of which is strictly prohibited under any Applicable Law (which information may be redacted).

(3) Final and Binding KPI Satisfaction Calculation. Unless the Sellers' Representative, on or prior to the last day of the KPI Satisfaction Review Period, gives the Purchaser written notice objecting to the relevant KPI Satisfaction Calculation and specifying, in reasonable detail, the basis for each such objection and the amount in dispute, such KPI Satisfaction Calculation and the amount of the applicable Additional Payment, if any, resulting therefrom shall be final and binding upon the Purchaser and the Sellers in respect of all amounts not specified as being in dispute under the aforementioned notice of objection. If a timely notice of dispute of such KPI Satisfaction Calculation is delivered to the Purchaser, then such KPI Satisfaction Calculation (as revised in accordance with this Subsection (d)) shall become final and binding upon the Purchaser and the Sellers with respect to the stated amount in dispute upon the earlier of the date that (A) Purchaser and the Sellers' Representative resolve in writing any differences they have with respect to any matter specified in the notice of dispute, or (B) any matters in dispute are finally resolved pursuant to Section 12.05 below. The "KPI Determination Date" shall mean the earliest of (i) the last day of the KPI Satisfaction Review Period in the event that the Sellers' Representative does not deliver a written notice of dispute within such KPI Satisfaction Review Period, (ii) the date immediately following the date that the Sellers' Representative delivers a written notice to Purchaser that it does not dispute the computation of the relevant KPI Satisfaction Payments as set forth in the KPI Satisfaction Calculation, (iii) the date that the Sellers' Representative and Purchaser resolve in writing any differences they have with respect to any matter specified in a notice of dispute with respect to the applicable KPI Satisfaction Payments, or (iv) the date that all matters in dispute with respect to the applicable KPI Satisfaction Calculation are finally resolved pursuant to Section 12.05 below.

(4) Resolution of Disputes relating to a KPI Satisfaction Calculation. If the Sellers' Representative has timely and properly disputed any calculations shown in a KPI Satisfaction Calculation, then during the fifteen (15) calendar days immediately following the delivery of a notice of dispute, the Sellers' Representative and Purchaser shall use their commercially reasonable good faith efforts to reach agreement on the disputed items specified in the notice of dispute. If the parties are unable to resolve such dispute within such 30-day period (unless such 30-day period shall be extended by the mutual agreement of Purchaser and the Sellers' Representative), then such dispute shall be finally resolved pursuant to Section 12.05 below.

(5) Confirmation of Satisfaction During the Earnout Periods. It is here clarified that during each applicable Earnout Period, Sellers' Representative can submit any item of "KPI" identified in the table in Part 5 of Exhibit B (a "KPI Item") for Purchaser's review during the applicable Earnout Period, and in the event that Purchaser and Sellers' Representative agree in writing (with specific reference to this Agreement) that such KPI Item has been satisfied, such KPI Item shall be considered as a Tech KPI Achieved Item for the purposes of Part 5 of Exhibit B.

(e) Miscellaneous. The provisions of this Agreement (including Section 2.03) do not constitute a contract of employment or service or impose any obligation on the Purchaser or any of its Affiliates to retain or continue to engage a Seller.

Section 2.04 Earnout Payments

(a) General. The amount, composition, and timing of certain earnout payments ("Earnout Payments") shall be determined as set forth in, and shall be subject to the conditions set forth in, Part 2 of Exhibit B hereto and otherwise in accordance with this Agreement.

(b) Calculation and Determination of the Earnout Payments.

(1) Delivery of the Earn-Out Calculation. Within thirty (30) calendar days following the delivery to the Purchaser of an audit opinion in respect of its consolidated financial statements, including the Company, with respect to the period ending on the last day of the 2020 Earnout Period and the 2021 Earnout Period, as applicable (each being an "Earnout Calculation Delivery Date"), Purchaser shall deliver to the Sellers' Representative its calculation (an "Earnout Calculation") setting forth its computation of the aggregate Earnout Payment with respect to such 2020 Earnout Period or 2021 Earnout Period, as applicable, if any, together with the calculation thereof, including the amount of Earnout Revenues and the Earnout EBITDA for such Earnout Period.

(2) Review by the Sellers' Representative. After delivery of an Earnout Calculation, the Sellers' Representative shall have a period of thirty (30) calendar days thereafter (the "Earnout Review Period") to review that Earnout Calculation. At all reasonable times during the Earnout Review Period, the Purchaser shall make its best effort to provide the Sellers and its advisors and representatives, full access to any document or other information relating to the Earnout Calculation as reasonably requested by the Sellers Representative; provided that the Sellers and any such advisors and representatives shall, if requested by the Purchaser, first execute the Purchaser's standard confidentiality agreement in favor of the Purchaser and its Affiliates, which shall contain an undertaking to maintain strict confidentiality regarding any relevant document or information. During the Earnout Review Period, if Purchaser receives a written request from the Sellers' Representative for any additional supporting documentation relating to the Company that is reasonably necessary in order to verify the Earnout Calculation, the Purchaser shall provide such requested supporting documentation, provided that such documentation (x) is in its possession, and (y) does not include any non-public information, the disclosure of which is strictly prohibited under any Applicable Law (which information may be redacted).

(3) Final and Binding Earnout Calculation. Unless the Sellers' Representative, on or prior to the last day of the Earnout Review Period, gives the Purchaser written notice objecting to the relevant Earnout Calculation and specifying, in reasonable detail, the basis for each such objection and the amount in dispute, such Earnout Calculation and the amount of the applicable Earnout Payment, if any, resulting therefrom shall be final and binding upon the Purchaser and the Sellers in respect of all amounts not specified as being in dispute under the aforementioned notice of objection. If a timely notice of dispute of such Earnout Calculation is delivered to the Purchaser, then such Earnout Calculation (as revised in accordance with this Subsection (b)) shall become final and binding upon the Purchaser and the Sellers with respect to the stated amount in dispute upon the earlier of the date that (A) Purchaser and the Sellers' Representative resolve in writing any differences they have with respect to any matter specified in the notice of dispute, or (B) any matters in dispute are finally resolved pursuant to Section 12.05 below. The "Earnout Determination Date" shall mean the earliest of (i) the last day of the Earnout Review Period in the event that the Sellers' Representative does not deliver a written notice of dispute within such Earnout Review Period, (ii) the date immediately following the date that the Sellers' Representative delivers a written notice to Purchaser that it does not dispute the computation of the relevant Earnout Payments as set forth in the Earnout Calculation, (iii) the date that the Sellers' Representative and Purchaser resolve in writing any differences they have with respect to any matter specified in a notice of dispute with respect to the applicable Earnout Payments, or (iv) the date that all matters in dispute with respect to the applicable Earnout Payments are finally resolved pursuant to Section 12.05 below.

(4) Resolution of Disputes relating to an Earnout Payment. If the Sellers' Representative has timely and properly disputed any calculations shown in an Earnout Calculation, then during the thirty (30) calendar days immediately following the delivery of a notice of dispute, the Sellers' Representative and Purchaser shall use their commercially reasonable good faith efforts to reach agreement on the disputed items specified in the notice of dispute. If the parties are unable to resolve such dispute within such 30-day period (unless such 30-day period shall be extended by the mutual agreement of Purchaser and the Sellers' Representative), then such dispute shall be finally resolved pursuant to Section 12.05 below.

(c) Timing and Payment. Each Earnout Payment, less the applicable Earnout Escrow Amount, shall become payable by the Purchaser to the Sellers in accordance with their respective Pro Rata Portions on or prior to the date that is ten (10) Business Days following the applicable Earnout Determination Date, subject in all cases to Section 2.04(f). The payment of any Earnout Payment shall not be conditional upon whether or not the Sellers (or either of them) satisfied the Additional Condition at the applicable time of such payment. Subject to and without derogating from Section 12.11, the payment of each Earnout Payment shall made in full, without any deduction or set-off.

(d) Miscellaneous. Notwithstanding any other provision of this Agreement, following the Closing the Purchaser and its Affiliates shall retain full operational flexibility and control with respect to decisions concerning the Company, the Company Subsidiaries and their business, products and services. Nothing herein shall require the Purchaser or its Affiliates (including the Company and the Company Subsidiaries), and they will not be subject to any obligation or liability (contractual or otherwise), with regard to any Earnout Payment (or attainment of the relevant conditions for payment thereof) (other than making such payments if the agreed upon terms set forth in Exhibit B are fulfilled during the applicable Earnout Period), including with regard to the allocation of any resources (funds, people or otherwise), the business practices or decision taken (e.g. with respect to entering into customer contracts, margins and the like), the manner in which the Purchaser and its Affiliates (including the Company and the Company Subsidiaries) or their respective businesses will be operated, or any other obligation or liability of any nature. Purchaser and its Affiliates shall have the sole and absolute discretion with respect to the subject matter and shall not be subject to any express or implied obligation to take, or omit to take, any action to satisfy the conditions to, or meet the goals required for, payment of the Earnout Payments or to maximize the amount thereof. The parties acknowledge the potential of conflict of interests with respect to such matters, and the Sellers consent to the Purchaser's sole and absolute discretion with respect to the subject matter and hereby waives any rights to make any claim with respect to such conflict.

Section 2.05 Withholding Tax.

(a) General Provisions. Notwithstanding any other provision of this Agreement, each of the Purchaser, the Escrow Agent, and any other person acting on their behalf (each, a "Payor"), shall be entitled to deduct and withhold from any consideration payable or otherwise deliverable to any Person pursuant to this Agreement (including any portion of the Closing Payment, the Escrow Fund, the Realized Working Capital Balance, the Additional Payments, the Earnout Payments, and any other payment), such amounts as such Payor determines that are required to be deducted and withheld with respect to the making of any such payment under any Applicable Law, as determined by the Purchaser.

(b) Treatment of Additional Payments. With respect to the Additional Payments, in the event that a Seller shall deliver to the Purchaser, not more than six (6) months following the Closing Date, a written and signed opinion acceptable to the Purchaser at its discretion from a U.S. office of one of the "Big Four" accounting firms, supported by a clear valuation of the membership interest value, then:

(1) Purchaser and each of the Sellers shall enter into an escrow agreement, with the Escrow Agent, pursuant to which the Special Escrow Amount shall be deposited and held by the Escrow Agent, and shall be: (i) paid to the Purchaser to the extent that any Tax Authority in the United States determines or advises that Purchaser or its Affiliates has any liability, or obligation to withhold, with respect to the payment of any Additional Payment or is otherwise liable for such taxes due by Sellers (including payroll withholding tax for federal income tax purposes, state and/or city tax purposes), and (ii) otherwise released to the Sellers (based upon their Pro Rata Shares) upon the third anniversary of the date of April 15 that falls in the calendar year following the calendar year of the payment of the applicable Additional Payment to which such Special Escrow Amount relates provided that the circumstances in (i) did not apply, and otherwise in a customary form reasonably acceptable to the Purchaser and the Sellers (the "Special Escrow Agreement");

(2) subject to entry into the Special Escrow Agreement, Purchaser shall upon each payment of any Additional Payment thereafter, pay 50% of such Additional Payment to the Escrow Agent to be held pursuant to the Special Escrow Agreement (such amount being a "Special Escrow Amount"), and pay the remaining portion of such Additional Payment to the applicable Sellers without making any withholding, provided that, following the deposit of any Special Escrow Amount with respect to a particular Additional Payment, upon delivery by a Seller of a confirmation of payment of the amount of capital gains Tax paid by such Seller with respect to the applicable Additional Payment to the applicable US Tax Authorities (including federal, state and city Taxes) (such aggregate amount of capital gains Tax being the "Paid Tax Amount"), the Special Escrow Agreement shall provide for the release to such Seller of an additional amount equal to the Paid Tax Amount (i.e. such that the amount retained in the escrow account with respect to such Additional Payment shall be equal to the excess of the Special Escrow Amount relating to such Additional Payment, above the Paid Tax Amount).

(c) Treatment of Withheld Amounts. To the extent that amounts are withheld pursuant to this Section 2.05, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the payment recipient, in respect of which such deduction and withholding was made.

Section 2.06 Closing.

(a) Time and Place. The consummation of the Transactions (the "Closing") shall take place remotely, via exchange of documents and signatures immediately following the execution of this Agreement, or at such other time, date and location as the parties hereto agree in writing. The date on which the Closing actually takes place is referred to in this Agreement as the "Closing Date".

(b) Transactions at Closing. At the Closing, the following transactions shall occur and deliveries shall take place, which transactions and deliveries shall be deemed to take place simultaneously, and no transaction shall be deemed to have been completed or any document delivered until all such transactions have been completed and all required documents delivered:

(1) The Company and the Sellers shall deliver to the Purchaser the following agreements and documents:

(i) Assignments of all of the Ownership Interests, in the form attached hereto as Exhibit D (the "Assignment"), duly executed by each of the Sellers, as applicable;

(ii) an executed resignation, in the form attached hereto as Exhibit E, from the Sellers, in their capacities as members of the Company, effective as of the Closing;

(iii) duly executed resolutions of the Sellers in their capacities as members of the Company, in the form attached hereto as Exhibit F approving and authorizing (i) the execution, delivery and performance of this Agreement and the Transaction Documents to which the Company is a party by the Company, (ii) the appointment of such persons as are requested by Purchaser prior to Closing as managers of the Company, with effect from Closing, and (iii) such changes to the signature rights for the Company's bank accounts as are requested by Purchaser prior to the Closing, in form and substance approved by Purchaser;

(iv) the Organizational Documents of the Company and each Company Subsidiary, certified by the Sellers;

(v) a certificate as to the incumbency of the officers of the Company and the Company Subsidiaries, certified by the Sellers;

(vi) the Escrow Agreement executed by the Sellers' Representative and the Escrow Agent;

(vii) a certificate, in the form attached hereto as Exhibit G, executed on behalf of the Company by its officers, certifying that the conditions set forth in Section 8.01 and Section 8.02 have been duly satisfied;

(viii) certificates, dated within five (5) days prior to the Closing Date, from (A) the Secretary of the State of New York, certifying as to the good standing and subsistence in such jurisdiction of the Company and (B) the Secretary of the State of Nevada, certifying as to the good standing and subsistence in such jurisdiction of the Company Subsidiary;

(ix) For each Seller - the Spousal Consent, in the form attached hereto as Exhibit H;

(x) the Estimated Adjustment Statement and the Company's Closing Financial Certificate, in the form attached hereto as Exhibit I;

(xi) termination of the Operating Agreement between the Sellers;

(xii) executed Key Person Agreements;

(xiii) executed letter of resignation from the Company's auditors as auditors of the Company (without compensation for loss of office or any other claim) in a form acceptable to the Purchaser;

(xiv) Two (2) USB Drives containing a copy of the entire Datasite as of immediately prior to the Closing Date;

(xv) a FIRPTA Certificate duly executed by each Seller; and

(xvi) documentation evidencing the termination of all employment, equity and bonus agreements between the Company or a Company Subsidiary and GC, other than his respective Key Person Agreement.

(2) The Purchaser shall deliver the following:

(i) In accordance with the provision of Section 2.02(b)(1) the Closing Payment shall be delivered to the Sellers and provide confirmation of the wire transfers;

(ii) a certificate, in the form attached hereto as Exhibit J, executed on behalf of the Purchaser by its officers, certifying that the conditions set forth in Section 8.01 and Section 8.03and have been duly satisfied;

(iii) to the Sellers' Representative the Escrow Agreement executed by the Purchaser and the Escrow Agent

(iv) the Closing Escrow Amount to the Escrow Agent pursuant to Section 2.02(c); and

(v) the Service Principles attached hereto as Exhibit K.

Section 2.07 Purchase Price Allocation.

(a) Within thirty (30) Business Days after Closing Date, Purchaser shall provide to Sellers' Representative an allocation of the Purchase Price among the assets of the Company (the "Allocation"). The Allocation shall be prepared by Purchaser in accordance with Section 1060 of the Code. Sellers' Representative shall be entitled to review and comment on such schedule for thirty (30) Business Days, and Purchaser shall consider such comments in good faith. Thereafter, Purchaser shall provide Seller with Purchaser's final allocation schedule.

(b) Each of the Sellers and Purchaser shall (i) be bound by the Allocation for purposes of determining Taxes and (ii) prepare and file, and cause its Affiliates to prepare and file, its Tax Returns on a basis consistent with the Allocation. Sellers and Purchaser shall not take any position inconsistent with the Allocation in any Tax Return, in any refund claim, in any litigation, or otherwise unless required by a final determination by an applicable Tax Authority.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF THE COMPANY

Subject to the disclosures set forth in the Company Disclosure Schedule (each of which disclosures, in order to be effective, shall clearly indicate the Section and, if applicable, the Subsection of this Article III to which it relates (unless and only to the extent the relevance to other representations and warranties is readily apparent from the actual text of the disclosures)), the Company represents and warrants to the Purchaser that the statements contained in this Article III are true and correct as of the date of this Agreement and will be true and correct as of the Closing Date.

Section 3.01 Corporate Existence and Power.

(a) The Company and each Company Subsidiary is duly organized, validly existing and in good standing (where such concept exists) under the laws of the jurisdiction of its establishment and has all requisite power and authority to conduct its business as now conducted and as currently proposed to be conducted (except where the failure to be so qualified or be in good standing (where such concept exists) would not be material to the Company or the Company Subsidiaries, or the Business), and to own and operate its assets as now owned and operated by it and as currently proposed to be owned and operated by it. The Company and each Company Subsidiary is duly qualified, authorized, registered or licensed to do business as a foreign entity and is in good standing (where such concept exists) under the laws of each jurisdiction in which it owns or leases real property and each other jurisdiction in which the conduct of its business (except where the failure to be so qualified or be in good standing (where such concept exists) would not be material to the Company or the Company Subsidiaries, or the Business) or the ownership of its assets requires such qualification, authorization, registration or license. Section 3.01(a) of the Company Disclosure Schedule lists every state or foreign jurisdiction in which the Company or any Company Subsidiary has employees or facilities, and neither the Company nor any Company Subsidiary is qualified or licensed to do business in any other jurisdiction.

(b) Except for the Company Subsidiaries listed in Section 3.01(b) of the Company Disclosure Schedule, the Company does not have and has not ever had a Subsidiary and there are no corporations, limited liability companies, partnerships, joint ventures, associations or other entities or Persons in which the Company owns, of record or beneficially, any direct or indirect equity or other interest or any right (contingent or otherwise) to acquire the same.

(c) The Company has delivered to the Purchaser accurate and complete copies of: (i) its Organizational Documents, and (ii) the minutes and other records of the meetings and other proceedings (including any actions taken by written consent or otherwise without a meeting) of all actions taken by its and each Company Subsidiary's shareholders, members, board of directors (or other similar body) and all committees of the board of directors (or other similar body). There has not been any violation of any of the provisions of the Organizational Documents of the Company or any Company Subsidiary that would be material to the Company or such Company Subsidiary, and neither the Company nor any Company Subsidiary has taken any action that is inconsistent with any resolution adopted by its members, board of directors, general managers, any equivalent body or any committee thereof, and no event has occurred, and no condition or circumstance exists, that might (with or without notice or lapse of time) constitute or result directly or indirectly in such a material violation. The books of account, stock records, minute books and other records of the Company and each Company Subsidiary are accurate, up-to-date and complete in all material respects, and have been maintained in accordance with prudent business practices and all Applicable Law.

(d) Section 3.01(d) of the Company Disclosure Schedule accurately sets forth: (i) the names of the members of the board of directors and/or of the general managers of the Company and each Company Subsidiary; (ii) the names of the members of each committee of the board of directors (or similar body) of the Company and each Company Subsidiary; and (iii) the names and titles of the officers of the Company and each Company Subsidiary.

(e) Except as listed in Section 3.01(e) of the Company Disclosure Schedule, neither the Company nor any Company Subsidiary has conducted any business under or otherwise used, for any purpose or in any jurisdiction, any fictitious name, assumed name, business name or other name, other than its corporate name as set forth in this Agreement.

(f) Except as listed in Section 3.01(e)(f) of the Company Disclosure Schedule, no power of attorney that would entitle any Person to act on behalf of the Company or any Company Subsidiary is currently outstanding.

Section 3.02 Corporate Authorization.

(a) The Company has all necessary corporate power and authority to enter into and to perform its obligations under the Transaction Documents to which it is a party in accordance with the respective terms thereof; and the execution, delivery and performance by the Company of the Transaction Documents to which it is a party in accordance with the respective terms thereof have been duly authorized by all necessary corporate action on the part of the Company and its members. This Agreement constitutes the legal, valid and binding obligation of the Company, and, assuming the due authorization, execution and delivery by the Purchaser (if party thereto), enforceable against the Company in accordance with its terms. Upon the execution of each of the other Transaction Documents at the Closing, each of such Transaction Documents to which the Company is a party will constitute the legal, valid and binding obligation of the Company, and will be, assuming the due authorization, execution and delivery by the Purchaser (if party thereto), enforceable against the Company in accordance with its respective terms, in each case, except to the extent that such enforceability may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights generally, and by principles of equity regarding the availability of remedies (whether in a proceeding at law or in equity).

(b) Neither the Company nor any Company Subsidiary has: (i) received any notice from any applicable Governmental Authority that its registration may be revoked, stricken or erased, (ii) admitted an inability to pay its debts generally as they become due, filed or consented to the filing against it of a petition in bankruptcy, liquidation, winding up, stay of proceedings, plan of arrangement or any similar proceeding or passed any resolution approving any of the foregoing, or (iii) consented to the appointment of a receiver, liquidator, trustee or special manager for itself or for any substantial part of its properties or assets, or made any determination in respect of the distribution of its assets (the forgoing collectively referred to below as "Bankruptcy Events"). No notice has been received of any action for, or the intent of any Person to request to seek or pursue, any remedy under or in connection with a Bankruptcy Event.

Section 3.03 Compliance with Applicable Law.

(a) The Company and each Company Subsidiary is, and has at all times been, in compliance with and has operated its business and maintained its assets and properties in compliance with all Applicable Laws, except for immaterial *de minimis* breaches. Neither the Company nor the operation of the Business (whether by the Company or by any shareholder, Subsidiary, or any Affiliates thereof) is or has been under investigation with respect to, given notice of any violation of, or, to the Company's Knowledge, threatened to be charged with any violation of, Applicable Law or received any inquiry regarding the possible violation of, any Applicable Law. No event has occurred, and no condition or circumstance exists, in each case, that will or could reasonably be expected to (with or without notice or lapse of time) constitute or result in a violation by the Company or any Company Subsidiary, or a failure on the part of the Company or any Company Subsidiary to comply with or failure of its business and operations to be otherwise in compliance with, any Applicable Law, except for immaterial *de minimis* breaches.

(b) Neither the Company, any Company Subsidiary, nor any Representative or other Person acting on behalf of the Company or a Company Subsidiary, has at any time, directly or indirectly: (i) made any unlawful contributions, gifts, entertainment or other unlawful expenses relating to political activity and related in any way to the Business; (ii) made any unlawful payment to any foreign or domestic government official or employee, foreign or domestic political parties or campaigns, official of any public international organization, or official of any state-owned enterprise; (iii) violated any provision of the U.S. Foreign Corrupt Practices Act of 1977, as amended, Title 5 of the Israeli Penalty Law (Bribery Transactions), the Israeli Prohibition on Money Laundering Law, 2000, or any other anti-corruption Applicable Law; (iv) made any bribe, payoff, influence payment, kickback or other similar unlawful payment; or (v) made any payment (whether or not lawful) to any Person, or provided (whether lawfully or unlawfully) any favor or anything of value (whether in the form of property or services, or in any other form) to any Person, for the purpose of obtaining or paying for: (a) favorable treatment in securing business or (b) any other special concession; or (vi) agreed, committed, offered or attempted to take any of the actions described in clauses (i) through (v) above.

Section 3.04 Trade Compliance and Encryption

(a) The Company and each Company Subsidiary has conducted its marketing, export and trade in accordance with all Applicable Laws relating to export (which, for the purposes hereof, shall include the provision of Company Services outside of the U.S.), import and trade compliance, including that: (i) the Company and each Company Subsidiary has obtained all Consents and/or Governmental Authorizations required for its marketing, export and import of the Company Services and Intellectual Property, from any Governmental Authorities necessary for marketing, exporting or importing the same from any country in which any Intellectual Property and/Company Services are currently marketed, sold, licensed for use or otherwise distributed or for importing the same into any country in which the Company Services are now sold or licensed for use, and all such Consents and/or Governmental Authorizations are valid, current and in full force and effect; (ii) such Consents and/or Governmental Authorizations are listed on Section 3.04(a) of the Company Disclosure Schedule and a true, correct and complete copy thereof has been provided to the Purchaser; (iii) all such Consents and/or Governmental Authorizations throughout the world are in the name of the Company (or relevant Company Subsidiary, as applicable), are valid, current, outstanding and in full force and effect, and the Company (or relevant Company Subsidiary) is in compliance with the terms of all such Consents and/or Governmental Authorizations, including the decisions of the relevant Governmental Authority; (iv) there are no pending or, to the Knowledge of the Company and each Company Subsidiary, threatened claims or Proceedings against the Company or any Company Subsidiary with respect to such marketing, export or import Consents and/or Governmental Authorizations; and (v) there are no actions, conditions or circumstances pertaining to the marketing, export or import transactions of the Company or the Company Subsidiaries that would reasonably be expected to give rise to any claims or Proceedings against the Company, a Company Subsidiary, any assets thereof, the Business, or any of the directors, managers or officers (in their capacity as directors, managers or officers) of the Company or a Company Subsidiary.

(b) No Company Service is subject to any restriction or limitation under Applicable Laws relating to export control.

(c) No Company Service is registered with or required to be registered with or is otherwise subject to regulation by any applicable Governmental Authority.

(d) The Company has not distributed any Company Services, technology or product to, and has no obligations to, any third party located in Cuba, Democratic Republic of the Congo, Iran, North Korea, Sudan, Lebanon, Somalia or Syria. The Company has not entered into, and the Business does not and has not contained any transaction that falls within the scope of, and has not, directly or indirectly, engaged in any operation in violation of, the sanctions and restrictive measures of Israel, the U.S. or the European Union or any member state thereof.

(e) The Business does not involve the use or development of, or engagement in, encryption technology, or other technology whose development, commercialization or export is restricted, or requires a Consent or Governmental Authorization, under Applicable Law.

Section 3.05 Governmental Authorizations; Governmental Grants

(a) Section 3.05(a) of the Company Disclosure Schedule identifies each Governmental Authorization held by the Company or a Company Subsidiary, the Business, or used for the assets or properties of the Company or a Company Subsidiary. The Company has delivered to the Purchaser accurate and complete copies of all Governmental Authorizations identified in Section 3.05(a) of the Company Disclosure Schedule and any and all correspondence and amendments related thereto. The Governmental Authorizations identified in Section 3.05(a) of the Company Disclosure Schedule are valid and in full force and effect, and collectively constitute all Governmental Authorizations necessary to enable the Company and the Company Subsidiaries to conduct the Business. Each of the Company, each Company Subsidiary, and any other Person that held or is holding the same is, and has at all times been, in compliance with the terms and requirements of the respective Governmental Authorizations identified in Section 3.05(a) of the Company Disclosure Schedule, except to the extent that non-compliance would not be material to the Company or a Company Subsidiary. Except as set forth in Section 3.05(a) of the Company Disclosure Schedule, no notice or other communication from any Governmental Authority was received regarding: (i) any actual or possible violation of or failure to comply with any term or requirement of any Governmental Authorization; or (ii) any actual or possible revocation, withdrawal, suspension, cancellation, termination or modification of any Governmental Authorization.

(b) The Company has never applied for or received any Governmental Grant nor is any asset owned or used by the Company or otherwise necessary for its business (including Company Intellectual Property) subject to any limitations, restrictions, obligations or other Liabilities or claims by virtue or as a result of any Governmental Grant made available to any other Person.

Section 3.06 Non-Contravention.

Neither the execution, delivery or performance by the Company of this Agreement or any of the Transaction Documents to which it is a party; nor the consummation of the Transactions, will (with or without notice or lapse of time):

(a) contravene, conflict with or result in a violation of: (i) any of the provisions of its or its Subsidiaries' Organizational Documents or (ii) any Applicable Law;

(b) contravene, conflict with or result in a violation of, or give any Governmental Authority or other Person the right to challenge any of the Transactions or to exercise any remedy or obtain any relief under, any Applicable Law or any Order to which the Company, a Company Subsidiary, or any of the assets owned or used by the Company or a Company Subsidiary, is subject;

(c) contravene, conflict with or result in a violation of any of the terms or requirements of, or give any Governmental Authority the right to revoke, withdraw, suspend, cancel, terminate or modify, any Governmental Authorization that is held by the Company or a Company Subsidiary or that otherwise relates to the business of the Company or a Company Subsidiary or to any of the assets owned or used by the Company or a Company Subsidiary;

(d) contravene, conflict with or result in a violation or breach of, or result in a default under, any provision of any Contract by which the Company or a Company Subsidiary is bound, or give any Person the right to: (i) declare a default or exercise any remedy under any such Contract; (ii) accelerate the maturity or performance of any such Contract; or (iii) cancel, terminate or modify any such Contract, or (iv) vary (or result in the variation of) the terms of any such Contract;

(e) result in any Liability to the Company or a Company Subsidiary or in the imposition or creation of any Lien upon or with respect to any assets, properties or rights owned or used by the Company or a Company Subsidiary or their respective membership, ownership and/or equity interests;

(f) requires or will require the Company or any Company Subsidiary to make any filing with or give any notice to, or to obtain any Consent from, any Person (and, in respect to antitrust filings or consents, in reliance on the Purchaser's respective representations herein); or

(g) cause any option, right of notification, right of first refusal or right of pre-emption applicable to the Company or any Company Subsidiary to become exercisable, except to the extent it has been waived prior to the date hereof.

Except as set forth in Section 3.06 of the Company Disclosure Schedule, neither the Company nor any Company Subsidiary is or will be required to make any filing with or give any notice to, or to obtain any Consent from, any Person in connection with: (x) the execution, delivery or performance of this Agreement or any of the other Transaction Documents; or (y) the consummation of the Transactions contemplated by this Agreement.

Section 3.07 Capitalization.

(a) The Ownership Interests held by the Sellers constitute the entire record and beneficial equity and economic ownership interests in the Company and were duly authorized, validly issued, fully paid and nonassessable. The Ownership Interests are held of record by the Sellers, free and clear of any and all Liens or restrictions on transfer and were issued in compliance with all applicable securities and "blue sky" Laws, including the United States Securities Act of 1933, as amended, and any other applicable Law. Except for this Agreement, there are no other rights, commitments or Contracts of any character relating to interests in the Company, or obligating either Seller, or the Company to issue or sell any units or any other interest in the equity or debt of the Company or rights to receive or to acquire, directly or indirectly, units, or equity interests in, the Company. Without limiting the foregoing, there are no outstanding Options, and no other authorized, issued or outstanding, or commitments to issue or grant, any Options, stock appreciation right or similar right, phantom interest, profit participation, stock purchase right, preemptive right, restricted stock or similar rights with respect to the Company or its value, or any of its capital stock or equity interests ("Quasi Equity Rights"), and there are no voting trusts, proxies or other Contracts with respect to the voting of the Ownership Interest or any other equity interest of the Company. Upon the Closing, Purchaser will acquire good, valid and marketable title to all of the issued and outstanding equity and economic interests of the Company free and clear of all Liens.

(b) There are no claims or Proceedings pending by any Person in connection with the distribution of any payment to be made pursuant to the terms herein, and there is no basis for such claim or Proceeding.

(c) The Company holds, directly or indirectly, one hundred percent (100%) of the membership, ownership and/or equity interests in each Company Subsidiary. Other than interests held directly or indirectly by the Company, there are no authorized, issued or outstanding, or commitments to issue or grant, any stock appreciation right or similar right, phantom interest, profit participation, stock purchase right, preemptive right, restricted stock or similar rights with respect to any Company Subsidiary or its value, or any of its capital stock or equity interests, and there are no voting trusts, proxies or other Contracts with respect to the voting of the membership, ownership and/or equity interests of any Company Subsidiary.

Section 3.08 Financial Statements.

(a) The Company has delivered to the Purchaser (i) the Company's audited consolidated balance sheets and related audited consolidated statements of income, changes in shareholders' equity, and cash flow for the fiscal year ended December 31, 2018 (the "Audited Financial Statements"), (ii) the consolidated balance sheets and related consolidated statements of income, changes in shareholders' equity, and cash flow for the 11 month period ended November 30, 2019 (such date the "Balance Sheet Date") (the "Unaudited Financial Statements", and together with the Audited Financial Statements, the "Financial Statements"); and (iii) the Company's unaudited and unreviewed consolidated balance sheet and statement of income for the fiscal year ended December 31, 2019 (the "Management Accounts").

(b) The Financial Statements (i) have been properly prepared based on the books and records of the Company, (ii) complied as to form in all respects with (and in the case of the Unaudited Financial Statements, all material respects with) applicable accounting requirements with respect thereto as of their respective dates, and (iii) have been prepared in accordance with GAAP applied on a consistent basis throughout the periods indicated (except as may be indicated therein or in the notes thereto) and consistent with each other and in compliance with the revenue recognition policy of the Company as set forth in Section 3.08(b) of the Company Disclosure Schedule, and (iv) fairly present, in all material respects, the financial condition of the Company and the Company Subsidiaries at the dates therein indicated and, when applicable, the consolidated results of operations and cash flows of the Company and the Company Subsidiaries for the periods therein specified. The Management Accounts fairly present, in all material respects, the financial condition of the Company and the Company Subsidiaries at the dates therein indicated and, when applicable, the consolidated results of operations and cash flows of the Company and the Company Subsidiaries for the periods therein specified.

(c) The consolidated books of account and other financial records of the Company have been kept accurately in the ordinary course of business consistent in all material respects with Applicable Law, the transactions entered therein represent bona fide transactions, and the consolidated revenues, expenses, assets and liabilities of the Company have been properly recorded therein in all material respects.

(d) Neither the Company nor a Company Subsidiary has received or otherwise had or obtained Knowledge of any complaint, allegation, assertion or claim, whether made in writing or to the Knowledge of the Company made orally to any director, manager, or executive officer, regarding any material deficiency in the accounting or auditing practices, procedures, methodologies or methods of the Company or its internal accounting controls, including any complaint, allegation, assertion or claim that the Company has engaged in questionable accounting or auditing practices.

(e) The systems of internal accounting controls maintained by the Company are sufficient to provide reasonable assurance that: (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with Accounting Principles and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(f) Section 3.08(f) of the Company Disclosure Schedule provides an accurate reconciliation of all accounts receivable, notes receivable and other receivables of the Company as of the Balance Sheet Date. Except as set forth in Section 3.08(f) of the Company Disclosure Schedule, all existing accounts receivable of the Company (including those accounts receivable reflected on the Company Financial Statements that have not yet been collected and those accounts receivable that have arisen since the Balance Sheet Date and have not yet been collected): (i) represent current and valid obligations arising from bona fide transactions entered into in the ordinary course of business and not in violation of Applicable Law; and (ii) are current and will be collected in full when due, without any counterclaim or set off.

(g) Section 3.08(g) of the Company Disclosure Schedule provides an accurate and complete breakdown of all amounts (including loans, advances or other indebtedness) owed to the Company by a director, manager officer, employee or shareholder of the Company (other than travel advances made in the ordinary course of business) (the "Insider Receivables"). All Insider Receivables (including those receivables reflected in the Financial Statements that have not yet been collected and those receivables that have arisen since the Balance Sheet Date and have not yet been collected): (i) represent valid obligations arising from bona fide transactions entered into in the ordinary course of business and not in violation of Applicable Law; and (ii) are current and will be collected in full when due, without any counterclaim or set off. No Insider Receivables will remain outstanding as of the Closing.

(h) The financial projections provided to the Purchaser were prepared by the Company and its management with Purchasers assistance in good faith, but neither the Company nor its management has Knowledge or assurance that such financial projections would be attained. To the Knowledge of the Company, no facts exist which would require the Company to revise or amplify the assumptions underlying such projections and other estimates or the conclusions derived therefrom in any material respect.

Section 3.09 Absence of Certain Changes.

Since the Balance Sheet Date, the Business has been conducted in the ordinary course consistent with past practices (except for actions taken in connection with the negotiation of this Agreement and the Transactions) and, except as set forth in Section 3.09 of the Company Disclosure Schedule, there has not been:

(a) any event, occurrence, development or state of circumstances or facts that has had or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect;

(b) any damage, destruction or other casualty loss (whether or not covered by insurance) affecting the Business or assets of the Company or a Company Subsidiary in any material manner;

(c) any amendment of the Organizational Documents of the Company or a Company Subsidiary;

(d) any splitting, combination or reclassification of any membership, ownership and/or equity interests of the Company or any Company Subsidiary or any other securities or declaration thereof, setting aside or payment of any dividend or other distribution (whether in cash, shares or property or any combination thereof) in respect of any membership, ownership and/or equity interests in the Company or any Company Subsidiary or any other securities thereof, or redemption, repurchase or other acquisition or offer to redeem, repurchase, or otherwise acquire any membership, ownership and/or equity interests of the Company or any Company Subsidiary or any other securities thereof;

(e) (i) any issuance, delivery or sale, or authorization of the issuance, delivery or sale of, any membership, ownership and/or equity interests of the Company or any Company Subsidiary or Options, or (ii) any amendment or waiver of (in each case, whether by merger, consolidation or otherwise) any term of any membership, ownership and/or equity interests of the Company or a Company Subsidiary or Options;

(f) any incurrence of any capital expenditures or any obligations or Liabilities in respect thereof by the Company or a Company Subsidiary;

(g) any acquisition (by merger, consolidation, acquisition of shares or assets or otherwise), directly or indirectly, by the Company or a Company Subsidiary of any, all or substantially all, of the assets, properties or securities of any Person;

(h) any sale, lease or other transfer of, or creation or incurrence of any Lien on, any assets, securities, properties, interests or businesses of the Company or any Company Subsidiary or a membership, ownership and/or equity interests in either;

(i) the making by the Company or a Company Subsidiary of any loans (other than in the ordinary course of business), guarantee or capital contributions to, or investments in, any other Person;

(j) the creation of the Company or any Company Subsidiary of any Company Debt or the guarantee by the Company or a Company Subsidiary of any indebtedness formerly borrowed;

(k) (i) the entering into of any Contract that limits or otherwise restricts in any respect the Company or any of its Affiliates or any successor thereto from engaging or competing in any line of business, in any location or with any Person;

(l) the sale, disposition, transfer or license to any Person of any rights, including any rights to the Company or any Company Intellectual Property or other assets by the Company other than on a non-exclusive basis in the ordinary course of business consistent with past practice, or the acquisition, lease or license from any Person of any rights including any Intellectual Property or other assets other than in the ordinary course of business, or the sale, disposition of, transfer or provision of a copy of the Company's source code;

(m) (i) the grant or increase of any severance or termination pay to (or amendment of any existing arrangement with) any director, manager, officer, advisor, consultant or employee of the Company, (ii) any increase in benefits payable under any existing severance or termination pay policies or employment agreements, (iii) the establishment, adoption or amendment (except as required by Applicable Law) of any collective bargaining, bonus, commission, profit-sharing, thrift, pension, retirement, deferred compensation, compensation, share option, restricted share or other benefit plan or arrangement covering any director, manager, officer, advisor, consultant or employee of the Company;

(n) any change in the methods of accounting or accounting practices of the Company, except as required by concurrent changes in Accounting Principles, as agreed to by its independent public accountants;

(o) any Proceeding initiated by or against the Company or a Company Subsidiary, or any settlement, or offer or proposal by the Company to settle: (i) any Proceeding or claim involving or against the Company, or (ii) any Proceeding that relates to the Transactions;

(p) with respect to the Company or any Company Subsidiary, any Tax election made or materially changed; any claim, notice, audit report or assessment in respect of Taxes settled or compromised (or agreement with respect thereto); any Tax Return filed; any Tax allocation agreement, Tax sharing agreement, advance pricing agreement, cost sharing agreement, pre-filing agreement, Tax indemnity agreement or closing agreement relating to any Tax entered into; any annual Tax accounting period or method of Tax accounting changed or adopted; any Tax petition, Tax complaint or administrative Tax appeal filed; any right to claim a Tax refund surrendered or foregone (which is reasonably be expected to be material to the Company); or any extension or waiver of the statute of limitations period applicable to any Tax claim or assessment consented to, nor has any application or negotiation for or receipt of a Tax ruling or arrangement been made by the Company or a Company Subsidiary or, to the Company's Knowledge, any Seller or on their behalf, whether or not in connection with the Transactions, except as explicitly contemplated in this Agreement;

(q) any application for or receipt of a Governmental Grant;

(r) any pledge or subjection to Lien of any of the assets, properties or rights of the Company or a Company Subsidiary, or a membership, ownership and/or equity interest thereof, except for pledges of immaterial assets made in the ordinary course of business and consistent with past practices;

(s) any material transaction or any other material action taken by the Company or a Company Subsidiary outside the ordinary course of business or inconsistent with its past practices;

(t) any action or step to accelerate any account receivable or defer any account payable other than in ordinary course of business, consistent with past practice; or

(u) any agreement or commitment to take any of the actions referred to in clauses (a) through (t).

Section 3.10 **<u>No Undisclosed Liabilities</u>.**

(a) Neither the Company nor any Company Subsidiary has any Liabilities or claims of any kind, whether or not required to be reflected or reserved in financial statements in accordance with Accounting Principles, other than:

(1) Liabilities reflected in the "liabilities" column of the Company's Financial Statements or in the notes thereto;

(2) accounts payable and accrued salaries that have been incurred by the Company since the Balance Sheet Date in the ordinary course of business and consistent with past practice not exceeding US$25,000 individually or US$100,000 in the aggregate; and

(3) Liabilities identified in Section 3.10(a) of the Company Disclosure Schedule.

(b) Except as set forth in Section 3.10(b) of the Company Disclosure Schedule, there is no outstanding Company Debt.

Section 3.11 Material Contracts.

(a) Except as set forth in Section 3.11 of the Company Disclosure Schedule, neither the Company nor any Company Subsidiary is a party to or bound by any material Contract nor is any material Contract of the Company or any Affiliate thereof relevant or necessary to the Business or the operations or assets of the Company or any Company Subsidiary, including without limitation (a Contract responsive to any of the following categories, or which is otherwise listed in Section 3.11 of the Company Disclosure Schedule, or listed in Section 3.13(a) and Section 3.16(e) of the Company Disclosure Schedule, being hereinafter referred to as a "Material Contract"):

(1) any lease of tangible personal or real property;

(2) any Contract relating to the acquisition, transfer, use, development, sharing or license of any technology, or Intellectual Property rights (including any joint development agreement, technical collaboration agreement or similar agreement), to or from the Company other than any end user license agreements for non-exclusive "off the shelf" Software;

(3) any Contract imposing any restriction on the right or ability of the Company, (A) to compete with any other Person, (B) to acquire any services from any other Person, to sell any product or other asset to or perform any services for any other Person or to transact business or deal in any other manner with any other Person (including granting any grants of exclusivity, rights of first refusal or most favored nation undertakings), or (C) to develop, distribute, license, sell or transfer any Intellectual Property rights;

(4) any Contract for the purchase of materials, supplies, goods, services, equipment or other assets under which more than US$25,000 has been paid or is committed to be paid;

(5) any Contract (including purchase orders or a series of purchase orders) for the provision of the products or services of the Company under which more than US$25,000 of revenue has been earned, or that is with a Major Rev-Partner, a Major Supplier or a Key Counterparty;

(6) any partnership, joint venture or any sharing of revenues, profits, losses, costs or liabilities Contract;

(7) any Contract relating to the consolidation, reorganization, acquisition or disposition of any business (whether by merger, sale of shares, sale of assets or otherwise) or any similar transaction to which the Company is party;

(8) any Contract relating to borrowed money;

(9) any Contract relating to the acquisition, issuance or transfer of any securities and the voting and any other rights or obligations of a shareholder of the Company;

(10) any Contract under which (A) any Person has directly or indirectly guaranteed any material liabilities or obligations of the Company and (B) the Company has directly or indirectly guaranteed material liabilities or obligations of any other Person;

(11) any Contract relating to the creation of any Lien with respect to any asset, property or right of the Company or a Company Subsidiary or any membership, ownership and/or equity interest thereof;

(12) any Contract which contains any provisions requiring the Company to indemnify any Person, other than contracts which only contain customary indemnification and liability provisions, entered into in the ordinary course of business;

(13) any Contract of the Company with any Related Person;

(14) any employment, severance, retention, bonus, consulting, advisory or other agreement with any current employee, officer, director, manager, advisor or consultant of the Company pursuant to which the Company has any current or future rights or obligations;

(15) each Contract with a Governmental Authority; and

(16) any other Contract to which the Company is a party or pursuant to which the Company has any material rights or obligations or which otherwise materially affects the Company or its assets or properties, not listed under subsections 1 through 15 of Section 3.11(a) to the Company Disclosure Schedule.

(b) The Company has delivered to the Purchaser accurate and complete copies of all written Material Contracts required to be identified in Section 3.11(a) of the Company Disclosure Schedule, including all amendments thereto. There are no Material Contracts that are not fully in written form.

(c) Each Material Contract is a valid and binding agreement of the party thereto, is in full force and effect, is enforceable by the Company (or Company Subsidiary, as applicable) in accordance with its terms, and the Company (or Company Subsidiary, as applicable) is not in default under or breach of, and, to the Knowledge of the Company, no other party thereto is in default under or breach of, any such Material Contract (provided that in each case which breach by such other party would be material to the Company, the Company Subsidiaries or the Business), and no event has occurred, and no circumstance or condition exists, that (with or without notice or lapse of time) will, or would reasonably be expected to, (i) result in such a violation or breach of any provisions of any Material Contract by any party thereto (provided that in each case which breach by such other party would be material to the Company, the Company Subsidiaries or the Business), (ii) give any Person the right to declare a default or exercise any remedy under any Material Contract, (iii) give any Person the right to accelerate the maturity or performance of any Material Contract, or (iv) give any Person the right to cancel, terminate or modify any Material Contract. Neither the Company nor any Company Subsidiary has ever waived any of its rights under any Contract.

(d) Except as set forth in Section 3.11(d) of the Company Disclosure Schedule, neither the Company nor any Company Subsidiary has never received any written notice or any other communication regarding any material violation or breach of, or default under, any Material Contract.

(e) No Person is renegotiating any amount paid by or payable to the Company or any Company Subsidiary under any Material Contract or renegotiating any other term or provision of any Material Contract.

(f) All Contracts concerning the sale, marketing or distribution by any Third Party of the any Company Service related thereto (including, without limitation, finder, agent or agency agreement, sales representative, or Contract of similar nature, however called), and any power of attorney, proxy or similar instrument in each case, with respect to the Company or a Company Subsidiary, are terminable by the Company (or Company Subsidiary, as applicable) at any time and for any reason, upon prior notice to the other party or holder thereof (it being acknowledged that certain non-operative provisions of such Contracts may survive the termination thereof, including confidentiality, governing law, venue and indemnification) without payment by the Company or a Company Subsidiary of any amounts or consideration of any kind, and in any event following the Closing shall not limit or restrict the Purchaser in any way in conducting the Business or impose any Liability on the Purchaser.

Section 3.12 Litigation.

(a) Except as listed in Section 3.12(a) of the Company Disclosure Schedule, there is no pending Proceeding and no Person has threatened in writing or, to the Knowledge of the Company, other than in writing, to commence any Proceeding: (i) that involves the Company, a Company Subsidiary, the Business, any of the assets or properties owned or used by the Company or a Company Subsidiary, any Company Service; (ii) that challenges, or that may be reasonably expected to have the effect of preventing, delaying or making illegal the Transactions; or (iii) that relates to the ownership of any membership, ownership and/or equity interest of the Company or any Company Subsidiary, or any Options, or any right to receive consideration as a result of this Agreement (which, in the case of sub-paragraph (i) only, if adversely determined would be material to the Company, the Company Subsidiaries or the Business).

(b) There is no Order issued by any Governmental Authority by which the Company, a Company Subsidiary, or any of the assets owned or used by either, is subject or which restricts in any respect the ability of the Company or a Company Subsidiary to conduct the Business. To the Knowledge of the company, no officer, director, manager, shareholder or employee of the Company or a Company Subsidiary (in each case, in his or her capacity as such) is subject to any Order that prohibits such person from engaging in or continuing any conduct, activity or practice relating to the Business.

Section 3.13 Properties.

(a) Neither the Company nor any Company Subsidiary owns any real property. Each of the Company and each Company Subsidiary has a good and valid leasehold interest in each parcel of real property that it leases or is used or required for the conduct of the Business (the "Company Leased Real Property"). Section 3.13(a) of the Company Disclosure Schedule lists each lease, sublease, license or other occupancy agreement or arrangement relating to the Company Leased Real Property (each, a "Real Property Lease"). The Company (together with the Company Subsidiaries, as applicable) has the right to use and occupy the Company Leased Real Property for the full term of the Real Property Lease relating thereto, subject to its respective terms.

(b) The Company or a Company Subsidiary owns and has good and marketable title to, or a valid license or leasehold interest in, all tangible personal property and assets used by the Company or a Company Subsidiary, or used or required for the conduct of the Business (the "Assets"). None of the Assets is subject to any Lien, except for mechanic's, carrier's, worker's, material man's, warehouse man's, supplier's, vendor's or similar Liens arising or incurred in the ordinary course of business with respect to Liabilities that are not yet due and payable.

(c) Section 3.13(c) of the Company Disclosure Schedule identifies all Assets: (i) with a book value or market value in excess of US$30,000, (ii) involving annual payments in excess of US$30,000, or (iii) that are otherwise necessary for the conduct of the Business and which are not readily replaceable on reasonable terms (including pricing and timing for replacement), including those Assets that are being licensed or leased to the Company or used or required for the conduct of their business (the "Leased Assets"). All Leased Assets are leased pursuant to valid, binding and enforceable Contracts in accordance with their respective terms. Neither the Company nor any Company Subsidiary is in any material default under any such Contract.

(d) The Assets constitute all of the tangible personal property and assets used or held for use in connection with the Business and represent all of the tangible personal property and assets necessary for the conduct of the Business, and the Assets in the aggregate are in such operating condition and repair (subject to normal wear and tear) as is necessary for the conduct of the Business.

Section 3.14 Warranty Obligations.

(a) Section 3.14(a) of the Company Disclosure Schedule sets forth (i) a list of all warranties, guarantees and written warranty policies of the Company and each Company Subsidiary in respect of any of the Company Service, which are currently in effect (the "Warranty Obligations"), and the duration of each such Warranty Obligation, (ii) each of the Warranty Obligations which is subject to any dispute or, to the Knowledge of the Company, threatened dispute, and (iii) the experience of the Company and each Company Subsidiary with respect to warranties, guarantees and warranty policies of or relating to the Company Services. True and correct copies of the Warranty Obligations have been delivered to the Purchaser prior to the execution of this Agreement. There has not been any material deviation from the Warranty Obligations, and no salesperson, employee or agent of or on behalf of the Company is authorized to undertake any obligation to any customer or other Person in excess of such Warranty Obligations and the balance sheet included in the Financial Statements reflects adequate reserves for Warranty Obligations.

(b) Section 3.14(b) of the Company Disclosure Schedule lists all pending warranty or indemnity claims made by any Person related to the Company Service and the general nature of such claims. There is no pending or, to the Knowledge of the Company, threatened Proceeding for any other product liability, material 'claw-back' (i.e., the repayment of any amounts from the Company to any third party revenue partner) or , additional work, field repair or other claims by any Person (whether based on Contract or tort and whether relating to personal injury, including death, property damage or economic loss) arising from (i) services rendered by the Company, (ii) the sale, distribution, or installation of Software or other products by the Company, or (iii) the operation of the businesses of the Company during the period through and including the Closing Date.

Section 3.15 Revenue Partners and Suppliers.

(a) Section 3.15(a) of the Company Disclosure Schedule sets forth a list of (a) each of the top 10 revenue partners (i.e. purchasers of inventory/placers of advertisements on the Company's and the Company Subsidiaries' properties) of the Business by revenue ("Major Rev-Partners"), and the amount of revenues accounted for by such customers during the period from January 1, 2018, and until December 31, 2019, and (b) each of the top 4 suppliers (i.e. suppliers of traffic to the Company's and the Company Subsidiaries' for the publication by the Company and the Company Subsidiaries of advertisements) of the Company, by expenditure, and the amount of expenditures accounted for by such suppliers during the period from January 1, 2018 and until December 31, 2019 ("Major Suppliers"). No Major Rev-Partner has terminated its relationship with the Company or a Company Subsidiary or materially reduced or changed the pricing or other terms of its business with the Company or a Company Subsidiary, nor has any Major Rev-Partner indicated within the past year that it will stop purchasing or supplying products or services from or to the Company or a Company Subsidiary, or materially reduce its general volume of purchases or supplies (without regard to normal short-term fluctuations) from or to the Company or a Company Subsidiary. No purchase order or commitment of the Company or a Company Subsidiary is in excess of normal requirements, nor are prices provided therein in excess of current market prices for the products or services to be provided thereunder.

(b) Since January 1, 2018: (i) no Major Rev-Partner has required any material (individually, or in the aggregate) refund or other financial benefits due to failure of the Company Services to meet specifications or service standards; and (ii) neither the Company nor any Company Subsidiary has received any notice claiming that any Company Service is not in material conformity with applicable contractual commitments or warranties. There are no material commitments or obligations to Major Rev-Partners or Major Suppliers that are not evidenced in Material Contracts.

(c) The Sellers have made available to the Purchaser copies of all Contracts currently outstanding between the Company and the Major Rev-Partner and all other Contracts of the Company that, in Sellers' judgment, are materially relevant for the continuation of the Business. With respect to contracts which are not reflected in written instruments, Section 3.15(c) sets forth a descriptive summary of such contracts and their main terms. The Sellers have also provided the Purchaser with information regarding ongoing contacts with potential customers.

Section 3.16 Intellectual Property.

(a) Company Services. Section 3.16(a) of the Company Disclosure Schedule contains a complete and accurate list (by name and version number) of all products, technology systems, and service offerings, including all Software, of the Company and the Company Subsidiaries that have been or are currently sold, licensed, distributed or otherwise made available to any customers and/or revenue partners, as applicable (the "Company Services"), and identifies, for each such Company Service, whether the Company provides support or maintenance for such Company Service.

(b) Section 3.16(b) of the Company Disclosure Schedule sets forth a complete and accurate list of (i) all Registered Intellectual Property and Internet Resources owned or controlled by the Company and the Company Subsidiaries (the "Company Registered Intellectual Property"), (ii) all Registered Intellectual Property owned by third parties which is used or held for use by the Company or any Company Subsidiary in connection with the operation of the business or proposed business of the Company or any Company Subsidiary and (iii) all Intellectual Property (including, for example, software, Trademarks or Copyrights) that is not registered but that is material to the Company or any Company Subsidiary's business, proposed business or operations. For each listed item, Section 3.16(b) of the Company Disclosure Schedule indicates, as applicable, the owner of such Intellectual Property, the countries in which such Intellectual Property is registered or in which an application for same has been filed, the registration or application number, and the filing and expiration dates thereof; and sets forth a list of all actions that are required to be taken by the Company (including the payment of any registration, maintenance or renewal fees) within 120 days of the date hereof with respect to any such items of Intellectual Property in order to avoid prejudice to, impairment or abandonment thereof. All necessary registration, maintenance and renewal fees in connection with all Company Registered Intellectual Property have been paid and all necessary documents and articles in connection therewith have been filed with the relevant patent, copyright, trademark or other Governmental Authority for the purposes of maintaining such Company Registered Intellectual Property as of the date hereof. The Company has provided the Purchaser with true and complete copies of file histories, documents, certificates, office actions, correspondence and other materials related to all Registered Intellectual Property and Internet Resources.

(c) No Restrictions on Company-Owned IP. All of the Company-Owned Intellectual Property is valid and subsisting and is wholly and exclusively owned by the Company free and clear of all Liens and the Company has the right to use the Company-Owned Intellectual Property without payment to any other Person. There are no facts or circumstances that would render the Company or any Company Subsidiary-Owned Intellectual Property invalid or unenforceable. The Company is not bound by, and none of the Company-Owned Intellectual Property is subject to, any Contract that in any way limits or restricts the ability of the Company to use, exploit, assert or enforce any such Company-Owned Intellectual Property anywhere in the world. There is no Company-Owned Intellectual Property of which the Company is a joint owner or co-owner with another Person.

(d) No Restrictions on Company Services. The Company solely and exclusively owns all right, title and interest in and to the Company Services (other than the portions of the Company Services that are licensed and disclosed under Section 3.16(d) of the Company Disclosure Schedule), including all Company Source Code, free and clear of all Liens and the Company Services are fully transferable, alienable, licensable and otherwise distributable by the Company without restriction or limitation of any kind, and without payment to any Person or Governmental Authority and the Company has the right to use them without restriction or limitation of any kind and without payment to any other Person. The Company has not sold, transferred, assigned or otherwise disposed of any rights, titles and/or interests therein or thereto.

(e) Licensed Intellectual Property. (1) Section 3.16(e) of the Company Disclosure Schedule lists all Material Contracts to which the Company is a party relating to (i) the license in of any third-party Intellectual Property by the Company that is used in the Company Services or is material to the operation of the Business, and (ii) the license out of the Company Intellectual Property to any Person. Each such Contract is valid and binding on the Company in accordance with its terms and is in full force and effect. Neither the Company nor any other party thereto is in breach of or default under (or is alleged to be in breach of or default under), or has provided or received any notice of breach or default of or any intention to terminate, any such Contract. The Company has provided the Purchaser with true and complete copies of all such Contracts, including all modifications, amendments and supplements thereto and waivers thereunder. (2) No Person who has licensed Intellectual Property to the Company has ownership rights or license rights to improvements and other amendments made by the Company in such Intellectual Property. The Company is not required, obligated, or under any Liability or claim, to make any payments by way of royalties, fees or otherwise to any creator, owner, licensor of, or other claimant to any third-party Intellectual Property, or to any other Person, with respect to the ownership, use, possession, license-in, license-out, sale, exploitation, marketing, advertising or disposition, thereof or in connection with the conduct of the business of the Company as conducted and as proposed to be conducted.

(f) Open Source. (1) No Company Service or Company-Owned Intellectual Property incorporates or is distributed with Software which is subject to the terms of any license governing Open Source Materials. Section 3.16(f) of the Company Disclosure Schedule lists all Open Source Materials used in the development of the Company Services, incorporated in or distributed with the Company Services in any way, and briefly describes the general manner in which such Open Source Materials were or are used. (2) The Company-Owned Intellectual Property or Company Services: (i) do not incorporate Open Source Materials, and are not combined with Open Source Materials; (ii) are not distributed in conjunction with any Open Source Materials; or (iii) do not use Open Source Materials, in such a way that, with respect to (i), (ii) or (iii), creates, or purports to create obligations for the Company with respect to Company Intellectual Property or Company Services or grant, or purport to grant, to any Person, any rights or immunities under Company-Owned Intellectual Property or Company Services (including using any Open Source Materials that require, as a condition of use, modification and/or distribution of such Open Source Materials, that other Software incorporated into, derived from or distributed with such Open Source Materials be (A) disclosed or distributed in source code form, (B) licensed for the purpose of making derivative works, or (C) redistributable at no charge). The Company's use and distribution of each component of Open Source Materials complies with all the applicable license terms or agreements, and in no case does the use, modification or distribution of any Open Source Material gives rise, create, or purport to create obligations under such license terms or agreement, to any rights or immunities to any third parties under any Company Service or Company-Owned Intellectual Property, including without limitation, any obligation to disclose or distribute any Company Service or Company-Owned Intellectual Property in Source Code form, to license any such Company Service or Company-Owned Intellectual Property for the purpose of making derivative works, to distribute any such Company Service or Company-Owned Intellectual Property without charge or grant any license to any of the Intellectual Property embedded therein.

(g) Created Intellectual Property Properly Transferred to the Company. Except for the Intellectual Property licensed pursuant to the written Contracts set forth in Section 3.16(g) of the Company Disclosure Schedule, all Intellectual Property used in or necessary for the conduct of the business of the Company as presently conducted and as proposed to be conducted was created solely by either (i) employees of the Company acting within the scope of their employment or engagement who have validly and irrevocably assigned all of their rights therein, including Intellectual Property rights, to the Company or to any services company currently providing or which was providing services to the Company, or (ii) other Persons who have validly and irrevocably assigned all of their rights therein, including Intellectual Property rights, to the Company, and no other Person owns or has any rights to any portion of such Intellectual Property (other than non-exclusive end user licenses granted to the customers of the Company). In addition, all such employees and other Persons have waived or transferred, as the case may be, the right to exercise moral rights against the Company or against any services company which provided services to the Company. No person or third party retains any right, title or interest of any kind which could conflict with or jeopardize the Company's rights, titles or interests with respect to Intellectual Property transferred to the Company.

(h) Non-Infringement and Sufficiency. The operation of the business or proposed business of the Company (including, without limitation, the design, development, use, operation, import, export, manufacture, licensing, sale or other disposition of the Company Services, the use or publication of texts and/or images in connection with the Company Services, the creation, use and publication of content, the creation, execution or publication of advertising campaigns, or any other exercise of rights in the Company Intellectual Property) does not and has not breached, infringed or misappropriated the Intellectual Property rights of any Person or infringe, breach or violate (A) the rights of any Person (including rights to privacy or publicity), (B) any Contract (including terms of use) or (C) any Applicable Law. The Company has not (i) received any notice from any Person claiming that such operation, exercise of rights or any Company Service infringes, breaches or misappropriates the Intellectual Property rights or any other rights of any Person, constitutes unfair competition or trade practices under the Applicable Laws of any jurisdiction or violates the rights of any Person (including rights to privacy or publicity) (nor, to the Knowledge of the Company, does there exist any basis therefor) and (ii) received any offer for a license of Intellectual Property or other intangible rights, including but not limited to Patent rights, implying that the operation or use of or exercise of rights by the Company or any Company Service infringes, breaches or misappropriates the Intellectual Property rights or any other rights of a third party. The use, operation, or provision of Company Services, including the use or publication of text and/or images in connection with such Company Services did not and does not currently copy any data or information from Internet Resources in a form other than as permissible and, in any event, it does so in a legal and lawful manner and without creating any liability to the Company. The use or operation of Company Services does not require a license of any third-party Intellectual Property which is not disclosed in Section 3.11(a)(2) of the Company Disclosure Schedule, and is not in violation of the terms of any license of any third-party Intellectual Property or any other rights of any Person. The Company Intellectual Property includes all of the Intellectual Property necessary and sufficient to enable the Purchaser to conduct and operate the business of the Company in the ordinary course of business, consistent with past practices, following the Closing. The Company has not received any opinion of counsel that the provision of any Company Service or the operation of the business of the Company, as previously or currently conducted, or as currently proposed to be conducted, infringes, breaches or misappropriates any Intellectual Property rights of any Person.

(i) No Challenges to Company Intellectual Property. To the Knowledge of the Company, no Person is engaging, or has engaged in the past, in any activity that infringes, violates, or misappropriates the Company Intellectual Property or violates or infringes the rights of the Company or a Company Subsidiary (including rights to privacy or publicity). There is no Proceeding pending, asserted or threatened in writing (or to the Company's Knowledge, asserted or threatened other than in writing) by or against any other Person concerning any of the foregoing. Except for the matters described in Section 3.16(i), there is and has been no Proceeding pending, asserted or threatened by or against the Company concerning, contesting or challenging the ownership, validity, registerability, enforceability or use of, or licensed right to use, any Intellectual Property (nor, to the Knowledge of the Company, does there exist any basis therefor). No Company Intellectual Property is subject to any outstanding Order or other disposition of any Proceeding.

(j) Source Code Protection. None of the Company or any other Person acting on behalf of the Company has disclosed or delivered to any third party, or permitted the disclosure or delivery by any escrow agent or other party of, any Company Source Code. 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, require the disclosure, license or delivery by the Company or any other Person acting on behalf of the Company to any Person of any Company Source Code. Section 3.16(j) of the Company Disclosure Schedule identifies each Contract under which the Company has delivered, licensed, made available, deposited, or is or may be required to deposit, with an escrow agent or other third party, any Company Source Code. Neither the execution of the Transaction Documents nor the consummation of any of the Transactions, in and of itself, would reasonably be expected to result in the release of any Company Source Code from escrow.

(k) No Adverse Consequences of Transaction. Neither this Agreement nor the Transactions will result in (i) the Purchaser or its Affiliates or the Company granting to any Person any right to or with respect to any Intellectual Property owned by, or licensed to, any of them, (ii) the Purchaser or its Affiliates or the Company being bound by, or subject to, any non-competition or other material restriction on the operation or scope of their respective businesses, or (iii) the Purchaser or its Affiliates or the Company being obligated to pay any royalties or other material amounts to any Person in excess of those payable by any of them, respectively, in the absence of this Agreement or the Transactions.

(l) Protection of Trade Secrets and Execution of Confidentiality and Invention Assignment Agreement. The Company has taken all steps necessary to protect the confidentiality and value of all Trade Secrets, Company Source Code, Company Intellectual Property, confidential Company Intellectual Property and all other Confidential Information. Without limiting the foregoing, (i) the Company has, and enforces, a policy requiring each employee, consultant and contractor to execute proprietary information, confidentiality and assignment agreements in the form set forth on Section 3.16(l) of the Company Disclosure Schedule (the "Template PIAA"), and (ii) no Trade Secrets, Company Source Code, or material Confidential Information has been disclosed by the Company to any Person except pursuant to valid and appropriately protective non-disclosure, assignment and/or license agreements that have not been breached. All use, disclosure or appropriation of Confidential Information by the Company not owned by the Company has been pursuant to the terms of a written agreement between the Company and the owner of such Confidential Information, or is otherwise lawful. Except as set forth in Section 3.16(l) of the Company Disclosure Schedule, all current and former employees and consultants of the Company having access to Confidential Information or proprietary information of any of its customers or business partners have executed and delivered to the Company an agreement regarding the protection of such Confidential Information or proprietary information (in the case of proprietary information of the customers and business partners of the Company, to the extent required by such customers and business partners) in the form of the Template PIAA. The Company has disclosed to the Purchaser all information relating to any event, circumstance, condition, situation or incident that could compromise or jeopardize the value or the confidentiality of any Trade Secrets, Company Source Code, confidential Company Intellectual Property and/or any other Confidential Information.

(m) No Government or University Funding or Involvement. None of the Company Intellectual Property was, directly or indirectly, in whole or in part: (i) developed by, or on behalf of, or using funding, grants, or subsidies or any means or resources of, any Governmental Authority or any university, educational institution, research center or any entity affiliated with such university, educational institution or research center, (ii) developed utilizing any facilities of any Governmental Authority or any university, educational institution, research center or any entity affiliated with such university, educational institution or research center, (iii) developed by any employee, faculty or students of a Governmental Authority, university, college, other educational institution or research center, or (iv) developed by any independent contractor who was concurrently working for a Governmental Authority, university, college, other educational institution or research center. In the event that any such funds, grants, subsidies, facilities, employees, faculty or students were used, such use will not preclude or restrict the sale, transfer, alienation and/or license of any such Company Intellectual Property to the Purchaser free and clear of all Liens.

(n) No Material Defects. All Company Services have been provided free from any defect or programming or documentation error, including major bugs, logic errors or failures of such software, other than those which do not materially interfere with or restrict the proper operation or use of the Company Services, and all Company Services currently operate as described in the related documentation (and in any case in accordance with any commitment or obligation under a Contract relating thereto), and materially conform to the specifications thereof. The Company Services have been provided free of, and the software used by the Company and the Company Services do not contain any, “back door,” “time bomb,” “Trojan horse,” “worm,” “drop dead device,” “virus” (as these terms are commonly used in the computer software industry), or other software routines or hardware components which intentionally designed to, or otherwise permit, unauthorized access, to disrupt, disable or erase software, hardware or data, or to perform any other similar type of unauthorized activities. The Company has disclosed to the Purchaser all information relating to any performance or functionality problem or issue with respect to the Company Services which does, or may reasonably be expected to, materially adversely affect the value, functionality or fitness for the intended purposes of the same. None of the Company Services contain any code or feature that: (i) intentionally disrupts the operation of any Software, firmware, hardware, computer system or network, (ii) permits any Person to access Software or data in an unauthorized manner, or (iii) deletes, damages or corrupts any personal information, data, or communications.

(o) Compliance with Privacy Laws and Spam laws. All information and data of any kind possessed, received, held, accessed, used or processed by the Company or a Company Subsidiary, that identifies any individual or data subject, or can be used to identify any individual or data subject (including, without limitation, any information related to the end users, website readers, consumers, customers, suppliers, service providers or partners of the Company or a Company Subsidiary or the Company's or a Company Subsidiary's own customers, suppliers, service providers or partners), pseudonymous data and cookies ("**PII**"), aggregate, de-identified, or anonymous information collected, acquired, accessed, viewed, used and/or received from or about end users, website readers, consumers, customers, suppliers, service providers or partners ("**Non-PII**") and employee's, former employees' and applicants' data (together with the PII and Non-PII, "**Data**"), has been collected, acquired, accessed, viewed, used, processed, disclosed, transferred and received by the Company or applicable Company Subsidiary (or on the Company's or Company Subsidiary's behalf), or obtained from any other Person, in compliance with (A) all Applicable Laws, regulations and mandatory Data processing industry standards or frameworks applicable to the Company or a Company Subsidiary, or to which the Company or a Company Subsidiary has adhered, or to which the Company or a Company Subsidiary is a party or with which the Company or a Company Subsidiary declares or purports to comply, (B) the Company's and each Company Subsidiary's obligations under any Contract, and (C) any policy of the Company or a Company Subsidiary and any policy of the Company's or a Company Subsidiary's customers, suppliers, service providers, Internet Resources, or partners applicable to such Data or under which such Data was collected or is processed (each being a "**Privacy Policy**" and (A) to (C) being together the "**Data Standards**"). Further, all Data is being, and has at all times been, collected, acquired, accessed, viewed, maintained, stored, protected, processed and used by the Company and each Company Subsidiary in compliance with all Applicable Laws, Contracts, Data Standards. The Company's Privacy Policies (and those of any Company Subsidiary, as applicable) comply with all Data Standards. The Company and each Company Subsidiary has at all times (i) complied with its published Privacy Policies, internal Privacy Policies and guidelines and all Applicable Laws relating to data privacy, data processing, data protection and data security, including with respect to the collection, storage, transmission, transfer (including cross-border transfers), disclosure, processing and use of Data, and (ii) taken all required or necessary measures, including operational, organizational, administrative, managerial, physical and technical measures, to ensure that Data is reasonably protected against loss, damage and unauthorized and unlawful access, use, modification or other misuse and to ensure that Data is processed in accordance with Data Standards. The Company and each Company Subsidiary has performed adequate and sufficient penetration tests regarding all the systems, databases and/or equipment related to the processing of Data or used by the Company or a Company Subsidiary to process Data. There has been no loss, damage or unauthorized or unlawful access, use, modification, processing, disclosure or other misuse of Data by the Company or a Company Subsidiary and, to the Knowledge of the Company, their suppliers, service providers, contractors, partners or customers. No Person (including any Governmental Authority) has made any claim or commenced any action of any kind with respect to loss, damage or unauthorized access, use, processing, modification or other misuse, or illegal or unpermitted processing, of any information or data by the Company or a Company Subsidiary, or any of their employees or contractors and, to the Knowledge of the Company, there is no basis for any such claim or action. To the Knowledge of the Company, the Company and each Company Subsidiary has no Liability or claim with respect to Data. The execution, delivery and performance of this Agreement and the transaction contemplated hereby comply with the applicable privacy policies of the Company (and the Company Subsidiaries, as applicable), all Data Standards and does not violate any Applicable Laws or third party rights. The consummation of the Transactions will not result in any loss, detriment or impairment or any kind related to the rights to own and use any Data, nor will such consummation require the consent of any third party, or any additional action, in respect of any Data. The Company and each Company Subsidiary has at all times made all disclosures to, and obtained any necessary Consents from, data subjects, users, customers, employees, contractors and any other Persons required by Applicable Laws or Data Standards related to data privacy, data processing, data protection and/or data security. The Company is not aware of any legal obligation or statutory requirement of any kind which is incompatible with the Business, the Company's business model and/or the Company's (or any Company Subsidiary's) technology or which, if honored, complied with or implemented by Company or a Company Subsidiary, could involve, or result in, a decrease in the Company's consolidated revenues. The Company and each Company Subsidiary has at all times complied with all Applicable Laws related to spam, unsolicited communications and/or marketing. The Company and each Company Subsidiary has started preparations for complying with the California Consumer Privacy Act ("CCPA").

(p) Compliance with Internet Resource Terms. The Company, each Company Subsidiary, and the Company Services comply, and have at all times complied with all the applicable terms of use, policies, guidelines, Privacy Policies, and any other applicable terms, guidelines, conditions, community rules, and policies governing, or related to, the use, of Internet Resources that are utilized by the Company or a Company Subsidiary in the ordinary course of business or utilized by the Company or a Company Subsidiary to market the Company Services.

(q) Compliance with Third Party Licenses. The Company and each Company Subsidiary has a valid and enforceable license and any and all required rights and permissions to use, practice and exploit all licensed Company Intellectual Property and all in the manner in which the foregoing Intellectual Property has been used, practiced and exploited, is being used, practiced or exploited or is currently intended to be used, practiced or exploited, and the Company and each Company Subsidiary is in compliance with all licenses, policies, guidelines and agreements governing third party Intellectual Property utilized in, related to, or in connection with, the Company Intellectual Property, including the Company Services, including (i) complying with all flow-through provisions of third party licenses (e.g., a requirement to include a specific Copyright notice or disclaimer), (ii) providing adequate attribution as required by any Open Source Materials license, and (iii) any limitations on the scope of license or covenants included in such licenses, policies, guidelines or agreements.

(r) Information Systems. Section 3.16(r) of the Company Disclosure Schedule lists all the Software, databases, platforms, equipment and information systems ("Information Systems") owned, licensed, leased or controlled by the Company that are material to the operation of the Business. If such Information Systems are operated or hosted by an outsourcer or other third-party provider, the identity and contact information for such third-party provider is disclosed on Section 3.16(q) of the Company Disclosure Schedule. None of the Information Systems (other than operated or hosted by an outsourcer or other third-party provider) depend upon any technology or information of any third party (other than the Internet). Such Information Systems are sufficient for the conduct of the business of the Company as currently conducted and as anticipated to be conducted by the Purchaser. The Company uses all necessary means, consistent with state of the art generally available to the public, to protect the security, confidentiality and integrity of all such Information Systems. The use by the Company of any Software or Information Systems does not exceed the scope of the rights granted to the Company with respect thereto, including any applicable limitation upon the usage, type or number of licenses, users, hardware, time, services or systems. The Information Systems (including the operation of the Company Services thereon and the provision of the Company Services using such Information Systems) operate and perform (x) as required by the Company in connection with the operation of its business and proposed business, and (y) in compliance with Applicable Law and Data Standards.

(s) Industry Bodies. Neither the Company nor any Company Subsidiary is or has been a member or promoter of, or a contributor to, any industry standards body or any similar organization that could reasonably be expected to require or obligate any of the Company to grant or offer to any other Person any license or right to the Company-Owned Intellectual Property Rights.

(t) No Restrictions on Content and Advertising Campaigns. Except as set forth in Section 3.16(t) of the Company Disclosure Schedule, the Company solely and exclusively owns all right, title and interest in and to the content and advertising campaigns created by the Company and the Business (or on the Company's or the Business's behalf) prior to the Closing free and clear of all Liens and such content and advertising campaigns are fully transferable, alienable, licensable, (to the extent distributed by the Company or a Company Subsidiary) are otherwise distributable by the Company without restriction or limitation of any kind, in each case without payment to any Person, right holder, copyright collecting society or similar entity, or to any Governmental Authority and the Company has the right to use them without restriction or limitation of any kind and without payment to any other Person. The Company has not sold, transferred, assigned or otherwise disposed of any rights, titles and/or interests therein or thereto.

(u) Exclusivity in Certain Agreements. Section 3.16(u) of the Company Disclosure Schedule contains a list of the agreements regarding DSPs, SSPs and other advertising-related companies that include one or more exclusivity provisions. The Company and each Company Subsidiary has never breached, and is not in breach of, any of such agreements and ensures ongoing compliance with such exclusivity provisions. The Company is not aware of any basis for any claim or allegation that such exclusivity provisions or agreements have been breached by the Company, its business model or the Company Services.

Section 3.17 Insurance Coverage.

Section 3.17 of the Company Disclosure Schedule identifies each insurance policy maintained by, at the expense of or for the benefit of the Company or its business or assets and identifies any material claims made thereunder. The Company has delivered to the Purchaser accurate and complete copies of all insurance policies listed on Section 3.17 of the Company Disclosure Schedule, each of which is in full force and effect. Such insurance policies provide insurance coverage for the properties, assets and operations of the Company of the kinds, in the amounts and against the risks required to comply with Applicable Law and the risks of the sort normally insured by similar businesses. There is no claim by the Company or any Company Subsidiary pending under any of such policies as to which coverage has been questioned, denied or disputed by the underwriters of such policies or in respect of which such underwriters have reserved their rights. All premiums payable under all such policies have been timely paid and the Company and the Company Subsidiaries have otherwise complied with all material terms and conditions of all such policies. Neither the Company nor any Company Subsidiary has received any notice or other communication regarding any actual or possible: (i) cancellation or invalidation of any insurance policy; (ii) refusal of any coverage or rejection of any claim under any insurance policy; or (iii) material adjustment in the amount of the premiums payable with respect to any insurance policy. Neither: (A) the execution, delivery or performance of this Agreement or any of the Transaction Documents; nor (B) the consummation of the Transactions, will (with or without notice or lapse of time): (1) result in the cancellation, invalidation or termination, or give any Person the right to cancel, invalidate or terminate, any of the insurance policies of the Company or a Company Subsidiary; (2) result in the reduction of coverage, or give any Person the right to reduce the coverage, under any such insurance policies; or (3) have any impact on the right or ability of the Company or a Company Subsidiary to make a claim under any such insurance policies in respect of or relating to events or circumstances that have occurred prior to the Closing.

Section 3.18 Tax Matters.

(a) The Company and each Company Subsidiary has timely filed in a proper manner or caused to be filed with the appropriate Tax Authorities all material Tax Returns required to be filed under Applicable Laws in connection with the determination, assessment, or collection of any Tax concerning or attributable to such Company or Company Subsidiary by the Company or Company Subsidiary and has timely paid or caused to be paid all material Taxes due (whether or not shown on a Tax Return). All such Tax Returns are complete, true and accurate. The Company and each Company Subsidiary has disclosed in its Tax Returns any Tax reporting position taken in any Tax Return that would reasonably be expected to result in the imposition of penalties under Section 6662 of the Code or any comparable provisions of state, local or non-U.S. Applicable Law. All Taxes due and owing by the Company or a Company Subsidiary whether or not required to be shown on a Tax Return have been fully paid. With respect to any Taxes where payment is not yet due or owing, the Company and each Company Subsidiary has established in accordance with Accounting Principles an adequate accrual for all such Taxes through the end of the last period for which the Company ordinarily records items on its respective books and records. Appropriate and sufficient accruals for Tax Liabilities as of the Closing Date are included in the Closing Working Capital. All required estimated Tax payments sufficient to avoid any underpayment penalties have been made by or on behalf of the Company and each Company Subsidiary. The Company and each Company Subsidiary has no Liability for Taxes other than as set forth in Section 3.18(a) of the Company Disclosure Schedule.

(b) The unpaid Taxes of the Company and each Company Subsidiary did not, as of the last date of the Financial Statements, exceed the reserve for Tax liability set forth on the face of the balance sheet included in the Financial Statements (rather than in any notes thereto), and (ii) will not, as of the Closing Date, exceed such reserve. Since the last date of the Financial Statements, neither the Company nor any Company Subsidiary has incurred liability for Taxes (i) from extraordinary gains or losses within the meaning of Accounting Principles, (ii) outside the ordinary course of business, or (iii) otherwise inconsistent with past custom and practice.

(c) There is no dispute or matters under discussion with any Tax Authority in relation to the affairs of the Company or any Company Subsidiary. No deficiencies for Taxes with respect to the Company and each Company Subsidiary have been claimed, proposed or assessed by any Tax Authority or other Governmental Authority. There are no Proceedings, investigations, assessments, audits, claims or other actions for or relating to any Liability in respect of Taxes pending or threatened against the Company or any Company Subsidiary in respect of any Taxes and there are no matters under discussion, audit or appeal with any Governmental Authority relating to Taxes. There are no circumstances which will or is likely to, whether by lapse of time or the issue of any notice of assessment or otherwise, give rise to any dispute with any relevant Tax Authority in relation to the liability of the Company or accountability for Taxes, any claim made by it, any relief, deduction, or allowance afforded to it, or in relation to the status or character of the Company or any Company Subsidiary under or for the purpose of any provision of any legislation relating to Taxes.

(d) The Company or each Company Subsidiary has made available to the Purchaser (i) complete and accurate copies of all material Tax Returns of the Company and each Company Subsidiary (and any predecessor thereof) for all taxable years since the last tax year that is closed for tax purposes (either by a final assessment from the Tax Authority or due to the lapse of the statute of limitations with respect thereto); (ii) complete and accurate copies of all audit or examination reports and statements of deficiencies assessed against or agreed to by the Company or any Company Subsidiary (or any predecessor thereof or issued with respect to or relating to any Taxes due from or with respect to the Company or each Company Subsidiary); (iii) any closing or settlement agreements entered into by or with respect to the Company or each Company Subsidiary with any Governmental Authority, (iv) all Tax opinions, memoranda and similar documents addressing Tax matters or positions, and (v) all material written communications to, or received by the Company or each Company Subsidiary from, any Governmental Authority including Tax rulings and Tax decisions.

(e) Neither the Company nor any Company Subsidiary (nor any predecessor thereof) has waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency, nor has any request been made in writing for any such extension or waiver.

(f) Neither the Company nor any Company Subsidiary has requested, offered to enter into or entered into any agreement or other arrangement, or executed any waiver, providing for any extension of time within which (i) to file any Tax Return covering any Taxes for which the Company or any Company Subsidiary is or may be liable; (ii) to file any elections, designations or similar filings relating to Taxes for which the Company or any Company Subsidiary is or may be liable; (iii) the Company and each Company Subsidiary is required to pay or remit any Taxes or amounts on account of Taxes; or (iv) any Governmental Authority may assess or collect Taxes for which the Company or any Company Subsidiary is or may be liable. Neither the Company nor any Company Subsidiary will be required to include any item of income in, or exclude any item of deduction from, taxable income for any taxable period (or portion thereof) ending after the Closing Date, including by virtue of (A) any change in method of accounting for a taxable period ending on or prior to the Closing Date, (B) any Tax related agreement or settlement concluded with any Tax Authority, including "closing agreement" as described in Section 7121 of the Code (or any corresponding or similar provision of state, local, or non-U.S. Tax law) executed on or prior to the Closing Date, (C) intercompany transactions or any excess loss account described in Treasury Regulations under Section 1502 of the Code (or any corresponding or similar provision of state, local, or non-U.S. Tax law) with respect to a transaction occurring on or prior to the Closing Date, (D) installment sale or open transaction disposition made on or prior to the Closing Date, or (E) any prepaid amount received on or prior to the Closing Date.

(g) The Company has, since its formation, been treated as a partnership for U.S. federal and state income tax purposes, and has not made, prepared or filed any elections, designations or similar filings relating to Taxes, including pursuant to Section 301.7701-3 of the Treasury Regulations promulgated under the Code electing for the Company to be classified as an association for United States federal income Tax purposes, or entered into any agreement or other arrangement in respect of Taxes or Tax Returns that has effect for any period ending after the Closing Date. The Company and each Company Subsidiary, other than the Content IQ Ltd. (the "Israeli Subsidiary"), has, since its formation, been treated as a disregarded entity for U.S. federal income tax purposes.

(h) Except as set forth in Section 3.18(h) of the Company Disclosure Schedule, neither the Company nor any Company Subsidiary has ever been assessed by any Tax Authority and notices of assessment have not been issued to the Company or any Company Subsidiary by any Tax Authority.

(i) No power of attorney (other than powers of attorney authorizing employees or representatives of the Company or any Company Subsidiary to act on behalf of the Company or any Company Subsidiary, respectively) with respect to any Taxes has been executed or filed with any Tax Authority, and each employee or representative of the Company who is authorized to act on behalf of the Company with respect to any Taxes, including the Partnership Representative (as such is defined in the U.S. Treasury Regulations), is identified on Section 3.18(i) of the Company Disclosure Schedule.

(j) There are no Liens for Taxes on any assets of the Company or any Company Subsidiary. Appropriate reserves have been established in accordance with Accounting Principles with respect to all statutory Liens for Taxes that are being contested.

(k) Since its incorporation, no closing agreements, private letter rulings, technical advice memoranda, “taxation ruling or decision” (*Hachlatat Misui)* or similar agreements or rulings relating to Taxes have been received from, or entered into or issued by any Governmental Authority with or in respect of the Company or any Company Subsidiary or the holding in the Company or any Company Subsidiary. Neither the Company nor any Company Subsidiary has requested or received a ruling from any Tax Authority.

(l) Section 3.18(l) of the Company Disclosure Schedule sets forth all Tax exemptions, Tax holidays or other Tax reduction agreements or arrangements or Orders applicable to the Company or any Company Subsidiary ("Tax Incentives"). The Company and each Company Subsidiary has made available to the Purchaser all material documentation relating to any Tax Incentives. The Company and each Company Subsidiary is, and has always been, in compliance with all the conditions and requirements for any Tax Incentives (including all rulings and/or approval received by the Israeli Tax Authority). The consummation of the actions contemplated in this Agreement will not have any adverse affect on: (i) the validity and effectiveness of any Tax Incentives; and (ii) the continued qualification for the Tax Incentives or the terms or duration thereof or require any recapture of any previously claimed incentive under such Tax Incentives. No claim or challenge has been made by any Tax Authority with respect to the Company or any Company Subsidiary’s entitlement to any Tax Incentive.

(m) The Israeli Subsidiary has not received any cash governmental grants.

(n) The Israeli Subsidiary is duly registered for the purposes of Israeli value added tax and has complied in all material respects with all requirements concerning value added Taxes ("VAT"). Content IQ Ltd. (i) has not made any exempt transactions (as defined in the Israel Value Added Tax Law of 1975) and there are no circumstances by reason of which there might not be an entitlement to full credit of all VAT chargeable or paid on inputs, supplies, and other transactions and imports made by it, (ii) have collected and timely remitted to the relevant Tax Authority all output VAT which it is required to collect and remit under any applicable law; and (iii) has not received a refund for input VAT for which it is not entitled under any Applicable Law. The Company and any Company Subsidiary (other than Content IQ Ltd.) (i) are not required and have never been required to be registered for VAT purposes, and (ii) have never been required to collect and remit VAT to the Israeli Tax Authority.

(o) The Company and each Company Subsidiary duly and timely withheld and paid all Taxes and other amounts required by law to be withheld by it and is not liable for any arrears of wages, compensation, Taxes, penalties or other sums for failure to comply with any of the foregoing (including Taxes and other amounts required to be withheld by it in respect of any amount paid or credited or deemed to be paid or credited by it to or for the account or benefit of any Person, including any employees, officers, directors, independent contractor, creditor, shareholders of the Company or other Person, whether or not an Israeli tax resident).

(p) The Company and each Company Subsidiary has duly and timely collected all amounts on account of any sales or transfer taxes, including goods and services, harmonized sales and provincial or territorial sales taxes, required by Applicable Law to be collected by it and has duly and timely remitted to the appropriate Governmental Authority any such amounts required by Applicable Law to be remitted by it.

(q) All transactions or arrangements between any of the Company and the Company Subsidiary and/or any other companies or persons Affiliated to the Company are and were effected at arm’s length terms and have been made in compliance with applicable transfer pricing law and regulations in all material respects (including, without limitation, Section 482 of the Code and Section 85A of the Israeli Tax Ordinance and the regulations promulgated thereunder). None of the transactions between the Company and other related persons is subject to any adjustment, apportionment, allocation or recharacterization under any Law. The Company has ever entered into a cost sharing arrangement or agreement to share research and development costs and rights to any developed Intellectual Property Rights.

(r) All records which the Company and the Company Subsidiaries are required under Applicable Law to keep for tax purposes (including all documents and records likely to be needed to defend any challenge by any Governmental Authority to the transfer pricing of any transaction) have been duly kept in all material aspects in accordance with all applicable requirements and are available for inspection at the premises of the Company or the applicable Company Subsidiary.

(s) The Company and each Company Subsidiary has at all times been resident for Tax purposes in its country of incorporation. Since its incorporation, neither the Company nor any Company Subsidiary has paid or has any liability for Taxes in any jurisdiction other than its respective country of incorporation; no claim has been made by any Tax Authority in any jurisdiction where the Company and each Company Subsidiary does not file Tax Returns that it is or may be subject to Tax by such jurisdiction; and, without limiting the foregoing does not has or has not had a fixed place of business or other nexus in any country other than its country of incorporation. The Sellers are and have at all times since the earlier of (i) the establishment of the Company, and (ii) the commencement of the Business been resident for Tax purposes in the United States and since such time no Seller has been resident for Tax purposes in any other jurisdiction.

(t) The Company and each Company Subsidiary is not subject to any restrictions or limitations pursuant to Part E2 of the Israeli Income Tax Ordinance or pursuant to any tax ruling made with reference to the provisions of Part E2.

(u) Neither the Company nor any Company Subsidiary has undertaken or participated or engaged in any action or transaction which is listed on, or requires or will require special reporting in accordance with, Section 131(g) of the Israeli Tax Ordinance and the Income Tax Regulations (Reportable Tax Planning), 5767-2006 promulgated thereunder or are subject to reporting obligations under Sections 131D and 131E of the Israeli Tax Ordinance Sections 67C and 67D of the Israel Value Added Tax Law of 1975. Neither the Company nor any Company Subsidiary has consummated or participated in, or is currently participating in, any transaction that was or is a "Tax shelter" transaction as defined in Sections 6662 or 6111 of the Code or the Treasury Regulations promulgated thereunder. Neither the Company nor any Company Subsidiary has participated in, or is currently participating in, a "Listed Transaction" or a "Reportable Transaction" within the meaning of Section 6707A(c) of the Code or Treasury Regulation Section 1.6011-4(b).

(v) Neither the Company nor any Company Subsidiary has ever been a real property corporation (*Igud Mekarke'in*) within the meaning of this term under Section 1 of the Israeli Land Taxation Law (Appreciation and Acquisition), 5723-1963.

(w) The Company or each Company Subsidiary has (i) complied with all Applicable Law relating to the payment, reporting and withholding of Tax, and (ii) timely filed all withholding Tax Returns, for all periods through and including the Closing Date.

(x) Neither the Company nor any Company Subsidiary has any Liability for the Taxes of any Person (other than the Company) under Section 1.1502-6 of the Treasury Regulations (or any similar provision of state, local or non-U.S. law) as a transferee or successor, by Contract or otherwise.

(y) Neither the Company nor any Company Subsidiary has incurred a dual consolidated loss within the meaning of Section 1503 of the Code.

(z) Neither the Company nor any Company Subsidiary has ever constituted either a "distributing corporation" or a "controlled corporation" in a distribution of stock qualifying for Tax-free treatment under Section 355 of the Code (i) in the two years prior to the date hereof or (ii) in a distribution that could otherwise constitute part of a "plan" or "series of related transactions" (within the meaning of Section 355(e) of the Code) in conjunction with the Transactions.

(aa) Section 3.18(aa) of the Company Disclosure Schedule lists all "nonqualified deferred compensation plans" (within the meaning of Section 409A of the Code) to which the Company and each Company Subsidiary is a party. Each such nonqualified deferred compensation plan to which the Company and each Company Subsidiary is a party complies with the requirements of paragraphs (2), (3) and (4) of Section 409A(a) by its terms and has been operated in accordance with such requirements. No event has occurred that would be treated by Section 409A(b) as a transfer of property for purposes of Section 83 of the Code.

(bb) Except as set forth in Section 3.18(bb) of the Company Disclosure Schedule, there is no agreement, plan, arrangement or other Contract covering any current or former employee or other service provider of the Company ERISA Affiliate to which the Company or any Company Subsidiary is a party that, considered individually or considered collectively with any other such agreements, plans, arrangements or other Contracts, will, or would reasonably be expected to, as a result of the Transactions (whether alone or upon the occurrence of any additional or subsequent events), give rise directly or indirectly to the payment of any amount that would reasonably be expected to be non-deductible under Section 162 of the Code (or any corresponding or similar provision of state, local or non-U.S. Tax law) or be characterized as a "parachute payment" within the meaning of Section 280G of the Code (or any corresponding or similar provision of state, local or non-U.S. Tax law). Section 3.18(bb) of the Company Disclosure Schedule lists each Person (whether U.S. or non-U.S.) who the Company reasonably believes is, with respect to the Company or any Company Subsidiary, a "disqualified individual" (within the meaning of Section 280G of the Code and the regulations promulgated thereunder), as determined as of the Agreement Date. No securities of the Company (or any Company Subsidiary) are readily tradable on an established securities market or otherwise (within the meaning of Section 280G and the regulations promulgated thereunder) such that the Company is ineligible to seek shareholder approval in a manner that complies with Section 280G(b)(5) of the Code.

(cc) The net operating losses and other carried forward losses of the Company and each Company Subsidiary for tax purposes as of December 31, 2018, including the year in which the related loss arose, are set forth on Section 3.18(dd) of the Company Disclosure Schedule.

(dd) The Company has elected out of the Partnership Audit Regime for 2018 and will elect out for 2019 and the short tax year 2020 under Section 6221(b) of the Code (the "Section 6221(b) Election"). The Company and the Purchaser shall comply with the procedures for electing out of the Partnership Audit Regime as set forth in Section 6221(b) of the Code and the applicable Treasury regulations (or applicable state or local laws), including timely providing notice to the members of the Company as set forth in Treas. Reg. 301. 6221(b)-1(c)(3), and the Company shall comply with any requirements related to such election in each such tax year.

(ee) Each partner of the Company is an eligible partner as defined in Treas. Reg. 301.6221(b)-1(b)(3) in each of the 2018, 2019 and 2020 tax years of the Company and the Company was eligible to make the Section 6221(b) Election. No partner held their interest in a disregarded entity, S corporation, or trust.

(ff) No election has been made to apply the Partnership Audit Regime to the Company with respect to pre 2018 tax years.

Section 3.19 Employees; Contractors and Benefit Plans.

(a) Section 3.19(a) of the Company Disclosure Schedule lists the name of each current (i) employee (including temporary employees), and (ii) consultant, independent contractor, subcontractor, sales agent, freelancers or other service providers of the Company and the Company Subsidiaries (but other than outsourced legal advisors and financial advisors) (each such Person within this sub-section (ii) being a "Company Contractor") and employing/engaging entity, position, seniority, department, classification as salaried or hourly, exempt or non-exempt from overtime requirements, employee or Company Contractor, physical job location, notice period, vacation entitlement, vacation accrual, sick leave entitlement, sick leave accrual, recuperation payment entitlement, start date, annual and monthly base salary, monthly overtime payment, for Israeli employees - whether such employee is subject to Section 14 Arrangement under the Israeli Severance Pay Law - 1963 ("Section 14 Arrangement") (and, to the extent such employee is subject to the Section 14 Arrangement, an indication of whether such arrangement has been applied to such person from the commencement date of his employment and on the basis of his entire salary) and the total current annual compensation payable to each such Person, including all wages, bonuses, commissions, allowances, expenses and other material benefits (other than standard entitlements determined in accordance with the criteria stated therein under the Company Benefit Plans set forth in Section 3.19(n)of the Company Disclosure Schedule).

(b) Without derogating from any of the above representations, the Company's and each of the Company's Subsidiaries' liability towards their employees regarding severance pay, accrued vacation and contributions to all Company Benefit Plan are fully funded or if not required by any source to be funded are accrued on the Company's financial statements as of the date of such financial statements. The Section 14 Arrangement was properly applied in accordance with the terms of the general permit issued by the Israeli Minister of Labor regarding all former and current employees of the Company who reside in Israel based on their full salaries and from their commencement date of employment. All amounts that the Company and each of the Company's Subsidiaries is legally or contractually required to either (A) deduct from their employees' salaries and any other compensation or benefit or to transfer to such employees' Company Benefit Plan or (B) withhold from employees' salaries and any other compensation or benefit and to pay to any Governmental Entity as required by any Applicable Law , have been duly deducted, transferred, withheld and paid, in accordance with Applicable Law, and the Company has no outstanding obligation to make any such deduction, transfer, withholding or payment (other than routine payments, deductions or withholdings to be timely made in the ordinary course of business and consistent with past practice).

(c) Neither the Company nor any Company Subsidiary employs any Person or engages any Company Contractor (other than outsourced legal advisors and financial advisors) other than those Persons listed in Section 3.19(a) of the Company Disclosure Schedule. All wages, bonuses, commissions, or other incentive payments, allowances, expenses and any other benefits with respect to any period prior to and including the Closing Date have been fully paid to each employee and/or any Company Contractor or are otherwise included as a liability in the Closing Working Capital in accordance with the Accounting Principles.

(d) All Persons classified as non-employees (including all Company Contractors), whether currently or formerly engaged by the Company, are and have been at all times properly classified as such, and neither the Company nor any Company Subsidiary has or will have any Liability or claim arising out of the treatment or classification of any such Person as a non-employee. All Persons classified as fixed term employees and/or interns, whether currently or formerly employed or engaged, are and have been at all times properly classified as such. All Persons treated as exempt from overtime requirements, whether currently or formerly employed or otherwise engaged, are and have been at all times properly treated as such. Each employee or Company Contractor is legally permitted to work in the jurisdiction and location he or she is working in.

(e) There are no outstanding liabilities in connection with any employee or Company Contractor whose employment or engagement with the Company or a Company Subsidiary has terminated, nor any outstanding Liabilities or claims to any current or former employee or Company Contractor of the Company or a Company Subsidiary. The Company and the Company Subsidiary is not liable for any payment to any trust or other fund or to any Governmental Entity, with respect to unemployment compensation benefits, social security or other benefits or obligations for employees (other than routine payments to be made in the ordinary course of business, consistent with past practice) or Company Contractors. There are no pending claims against the Company or Company subsidiary under any workers' compensation plan or policy or for short or long term disability, other than routine sick leave entitlements.

(f) None of the Company's or a Company Subsidiary's employees or Company Contractors has provided any resignation notice or has been provided with termination notices as of the date of this Agreement. Details of any employee or Company Contractor who has accepted an offer of employment or engagement made by the Company or a Company Subsidiary but whose employment has not yet started are contained in Section 3.19(f) of the Company Disclosure Schedule.

(g) Section 3.19(g) of the Company Disclosure Schedule sets forth any Contract to which the Company or a Company Subsidiary is a party with any current employee or Company Contractor. All Contracts with any current or former employees or Company Contractors are substantially on the Company's standard terms of employment or engagement (copies of all such standard terms having been made available Purchaser), including a proprietary information, confidentiality, assignment and non-compete undertaking. Neither the Company nor any Company Subsidiary is in material default under any such Contract. To the Knowledge of the Company, no other party to any such Contract has breached, violated or defaulted under any such Contract in any manner that would be material to the Company, and no circumstance exists that, with notice or lapse of time or both (including the Transaction), would constitute a material default by any party thereto. Each such Contract is legally binding and enforceable against the Person in accordance with its terms, subject to rules of Law governing specific performance, injunctive relief and other equitable remedies.

(h) The Company and each of the Company Subsidiaries is and has at all times been in compliance with all Applicable Law, codes of conduct, Contracts and binding customs and practices, in each case with respect to current and former employees (including manpower employees and outsource employees), current and former Company Contractors, and employment candidates, including but not limited to, discrimination, harassment, victimization, retaliation, wrongful discharge, unfair dismissal, wrongful dismissal, disability rights and benefits, affirmative action, terms and conditions, termination, wages, benefits and allowance, tax withholding, equal employment, meal and rest periods, employee safety and health, payment of wages, unfair competition, overtime compensation, minimum wage, plant closing, mass layoff or relocation, vacation, expenses, wage statements, working hours, overtime exemption classification, occupational safety and health, employee whistle-blowing, immigration, visa requirements, employee privacy, family, medical and other leaves, workers' compensation, unemployment insurance, employment practices, and classification of employees, consultants and independent contractors. The Company is not, and has not been, engaged in any unfair labor practice, as defined in the National Labor Relations Act or other Applicable Law. The Company and each of the Company Subsidiaries (i) has, with respect to current and former employees and Company Contractors, withheld and reported all amounts required by Applicable Law or by agreement to be withheld and reported with respect to wages, salaries and other payments to employees and Company Contractors, (ii) is not liable for any material arrears of wages, bonuses, benefits, severance pay, pension or any Taxes or any penalty for failure to comply with any of the foregoing, and (iii) is not liable for any material payment to any trust or other fund governed by or maintained by or on behalf of any governmental authority, with respect to unemployment compensation benefits, social security or other benefits or obligations for employees (other than routine payments to be made in the ordinary course of business).

(i) None of the employees of the Company or any of the Company Subsidiaries, or any Company Contractor, are subject to any collective bargaining agreement or benefits thereunder, in any jurisdiction, or represented by any labor organization or trade union or any employee representative body. The Israeli Company Subsidiary is not and no employee benefits from any extension order (*tzavei harchava*) except for extension orders which generally apply to all employees in Israel. The Company and each of the Company Subsidiaries is not and has never been a member of any employers' association or organization. The Company and each of the Company Subsidiaries has not paid, been required to pay or has been requested to pay any payment (including professional organizational handling charges) to any employers' association or organization. There is no, and have never been, labor strike, dispute, corporate campaign, work slowdown, work stoppage or lockout actually pending or threatened or anticipated, or claims of unfair labor practices or other labor disputes, and there are no facts circumstances, to the Knowledge of the Company, that could lead to any of those. There has not been any effort or activity by employee(s) or a labor organization or any other employee representative body, at any time, to seek to have a labor organization represent any group or unit of employees working in any of the Company locations.

(j) Except for the Key Person Agreements and this Agreement, neither the Company nor any Company Subsidiary has made any promise or representation to any employee or Company Contractors regarding continued employment or services after the Closing, or regarding the terms of any such employment.

(k) Except as set forth in Section 3.19(k)(a) of the Company Disclosure Schedule, the entry into this Agreement and the Transaction Documents, and the consummation of the Transaction will not (i) result (including in combination with any other action or matter) in any payment or other benefit (including severance and the acceleration or increase in benefits) to any current or former officer or employee of the Company or any Company Subsidiary, or any current or former Company Contractor, (ii) entitle any employee of the Company or any Company Subsidiary, or any Company Contractor to give notice to terminate his contract of employment or engagement, or to any additional period of notice, (iii) to the Knowledge of the Company, result in any employee of the Company or any Company Subsidiary, or any Company Contractor giving notice to terminate his or her employment or engagement, or otherwise adversely affect the Company's employee relations, or adversely affect any rights of the Company or any Company Subsidiary under any agreement signed by any employee or Company Contractor. Except as set forth in Section 3.19(k) of the Company Disclosure Schedule, there are no agreements that provide for severance pay other than as required by Applicable Law.

(l) The Purchaser has been provided with true, correct and complete summaries of all (i) workers' compensation or equivalent claims filed against the Company or any Company Subsidiary in the last three (3) years, (ii) charges, grievances, complaints or notices of violation filed with, or otherwise made by, the Occupational Safety and Health Administration or a state occupational safety and health agency, or any equivalent authority in locations outside the United States, against the Company or any Company Subsidiary, and (iii) outstanding employment-related claims, employment-related claims concluded or settled in the last three (3) years. The Company has reported and maintained a record of all work-related injuries in accordance with, and that are required to be reported under, the Occupational Safety and Health Act, and any similar state or other Applicable Law.

(m) To the Knowledge of the Company, there are no actions, suits, claims, audits, investigations, administrative matters, labor disputes or grievances pending or threatened or reasonably anticipated relating to any labor matters, hire date, wages, benefits, severance, social security, tax, medical or family leave, classification, safety or discrimination matters involving any current or former employee and/or Company Contractors, including but not limited to, claims of wage and/or hour violations, unfair business practices, unfair labor practices, discrimination, harassment, wrongful termination complaints, employee or Company Contractor misclassification, unregistered labor relationship with the Company or a Company Subsidiary, fines for incorrect registration, nor are there any grounds for any such claims.

(n) Section 3.19(n) of the Company Disclosure Schedule lists each "employee benefit plan" (as defined in Section 3(3) of ERISA) and any other plan, Contract or policy providing bonuses, retirement benefits, profit sharing benefits, pension benefits, compensation, deferred compensation, stock options, phantom stock, stock appreciation rights, profits interests, stock purchase rights, change in control or retention payments, fringe benefits, severance payments, post-retirement benefits, scholarships, health and welfare benefits, disability benefits, sick leave pay, vacation pay, commissions, payroll practices, retention payments or other benefits, including benefits provided by third parties (each such plan, Contract, policy, fund or arrangement is referred to herein as a "Company Benefit Plan", and a Company Benefit Plan that is not operated by Justworks, an "In-house Company Benefit Plan") that the Company or any trade or business that is treated as a single employer with the Company or a Company Subsidiary within the meaning of Section 414(b), (c), (m) or (o) of the Code) (each an "ERISA Affiliate") sponsors, maintains or has or could have Liability with respect to, or has or could have any obligation to contribute to for the benefit of current or former officers, employees, directors, any other Person performing services for the Company, or any beneficiary or dependent of such Person.

(o) There are no In-house Company Benefit Plans.

(p) The Company has no voluntary benefit plans available to employees which are considered to be exempt from ERISA under DOL Regulation Section 2510.3-1(j). No Benefit Plan is now or at any time has been subject to Part 3, Subtitle B of Title I of ERISA or Title IV of ERISA.

(q) Each Company Benefit Plan maintained, contributed to or required to be contributed to by the Company was legally and properly established and has been administered in all respects in accordance with its terms and with the applicable provisions of ERISA, the Code (including the rules and regulations thereunder) and all other Applicable Law. All contributions, deferrals, premiums and benefit payments under or in connection with the Company Benefit Plans that are due or required to have been made as of the Closing will have been (or will be) timely made on their due dates, or, if not yet due, have been accrued as a liability included in the calculation of the Closing Working Capital.

(r) The Company and its ERISA Affiliates do not currently maintain, contribute to or participate in, nor at any time have any of them had an obligation to maintain, contribute to, or otherwise participate in or have any liability (contingent or otherwise) under any employee benefit plans that are (i) "multiemployer plans" (within the meaning of Section 3(37) of ERISA or Code Section 414(f)), (ii) "multiple employer plans" (within the meaning of Code Section 413(c)), (iii) plans that are subject to the provisions of Title IV of ERISA, Section 302 of ERISA or Section 412 of the Code, or (iv) a welfare plan that is a "multiple employer welfare arrangement" (within the meaning of Section 3(40) of ERISA).

(s) Each Company Benefit Plan satisfies the requirements of the Patient Protection and Affordable Care Act and the regulations and guidance issued thereunder ("**PPACA**"), such that there is no reasonable expectation that any Tax or penalty could be imposed pursuant to the PPACA that relates to such group health plan.

(t) The Company has the requisite power to amend and/or terminate each Company benefit plan, provided by the external provider without prior notice or approval and neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated by this Agreement will impair such power.

Section 3.20 Environmental Matters.

The Company and each Company Subsidiary is, and has at all times been, in compliance in all material respects with all Applicable Law and any agreement with any Governmental Authority or other Person, relating to human health and safety, the environment or to Hazardous Substances and all Governmental relating to or required by such Applicable Laws and affecting, or relating in any way to, the Business. As of the Closing, the Company has not received any written notice of any Proceeding relating to environmental, health or safety matters, from any Person arising out of the ownership or occupation of any of its premises, or the conduct of the Business.

Section 3.21 Affiliate Transactions.

Except as set forth in Section 3.21 of the Company Disclosure Schedule, no equityholder, director, manager, officer or employee of the Company or a Company Subsidiary, or members of any of their immediate family, or any Affiliate thereof (each of the foregoing, a "Related Person"), other than in its capacity as a equityholder, director, manager, officer or employee of the Company, (i) has been involved, directly or indirectly, in any business arrangement or other material relationship with the Company or a Company Subsidiary (whether written or oral), (ii) directly or indirectly owns, or otherwise has any right, title, interest in, to or under, any property or right, tangible or intangible, that is used by the Company or a Company Subsidiary or (iii) is engaged, directly or indirectly, in the conduct of the Business. In addition, no such Related Person has an interest in any Person that competes with the Business in any market presently served by the Company or a Company Subsidiary, in each case, except as explicitly set forth in Section 3.21 of the Company Disclosure Schedule. For purpose of this Agreement, "immediate family" of any individual shall mean spouse, parents, children and brothers and sisters of such Person.

Section 3.22 Finders' Fees.

Except as set forth in Section 3.22 of the Company Disclosure Schedule, no broker, investment banker, financial advisor or other Person acting for or on behalf of the Company or a Company Subsidiary is entitled to any broker's, finder's, financial advisor's or similar fee or commission in connection with the Transactions contemplated by this Agreement or any other Transaction Document.

Section 3.23 Bank Accounts.

Section 3.23 of the Company Disclosure Schedule provides the following information with respect to each account maintained by or for the benefit of the Company or any Company Subsidiary at any bank or other financial institution: (i) the name of the bank or other financial institution at which such account is maintained; (ii) the account number; (iii) the type of account; and (iv) the names of all Persons who are authorized to sign checks or other documents with respect to such account. Neither the Company nor any Company Subsidiary has any outstanding credit facility, overdraft, loan, loan stock, debenture, letter of credit, acceptance credit or other financial facility.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF THE SELLERS

Subject to the disclosures set forth in the Sellers Disclosure Schedule (each of which disclosures, in order to be effective, shall clearly indicate the Section and, if applicable, the Subsection of this Article IV to which it relates (unless and only to the extent the relevance to other representations and warranties is readily apparent from the actual text of the disclosures), and each of which disclosures shall also be deemed to be representations and warranties made by the Sellers, severally and not jointly, to the Purchaser under this Article IV), each Seller, severally and not jointly, represents and warrants to the Purchaser that the statements contained in this Article IV are true and correct as of the date of this Agreement and will be true and correct as of the Closing Date:

Section 4.01 Title to Ownership Interests.

Such Seller has good and valid title to, and is the sole lawful owner, beneficially and of record, of all of the Ownership Interests set forth opposite the name of such Seller on Exhibit L, which constitute the entire issued and outstanding Ownership Interests held by such Seller, free and clear of any and all Liens. The Seller has sole voting power and sole power to issue instructions with respect to the matters set forth in this Agreement, sole power of disposition and sole power to agree to all of the matters set forth in this Agreement, in each case with respect to the foregoing Ownership Interests. At the Closing, Seller shall convey to the Purchaser, and the Purchaser shall acquire, good and marketable title to the respective Ownership Interests referred to above, free and clear of any Liens and from any agreement, obligation or commitments to create, grant, give or permit to maintain any Liens. The Seller has not sold, pledged or otherwise transferred (whether by operation of law or otherwise, including, without limitation, transfers pursuant to any decree of divorce or separate maintenance, any property settlement, any separation agreement or any other agreement with a spouse) any interests in the respective Ownership Interests to any person. All of such Ownership Interests set forth above (a) have been duly authorized and validly issued, (b) are fully paid and non-assessable, and (c) have been issued in full compliance with (i) all applicable securities laws and any other Applicable Laws and (ii) all requirements set forth in applicable Contracts. The respective Ownership Interests constitute all of the membership, ownership and/or equity interests of the Company over which any voting or dispositive power is held by the Seller and the Seller does not own, beneficially or otherwise, directly or indirectly, any other share capital of, or other securities, equity or ownership interest in the Company (including, without limitation, any Options or similar rights). The respective Ownership Interests are not subject to any shareholders agreement, voting agreements, proxies, trusts or other agreement or understandings relating to the voting or disposition thereof, which would continue to be binding upon the Purchaser after the Closing. Any proxies heretofore given in respect of the respective Ownership Interests are not irrevocable, and any such proxies are or shall be revoked by the Closing.

Section 4.02 Authority; Binding Effect.

Such Seller has full right, power and authority to enter into and to perform such Seller's obligations under each of the Transaction Documents to which such Seller is or may become a party. Such Seller has all requisite power and authority to execute, deliver and perform its obligations under this Agreement and the other Transaction Documents to which such Seller is a party and to consummate the transactions contemplated hereunder and thereunder. The execution, delivery and performance of this Agreement and the other Transaction Documents to which such Seller is a party have been duly authorized by such Seller. All organizational actions and proceedings required to be taken by or on the part of such Seller to authorize and permit the execution, delivery and performance by such Seller of this Agreement and the other Transaction Documents to which such Seller is a party, have been duly and properly taken. This Agreement has been, and each other Transaction Document to which such Seller is a party has been or will be, duly executed and delivered by such Seller.

Section 4.03 Binding Effect.

This Agreement constitutes the legal, valid and binding obligation of such Seller, and, assuming the due authorization, execution and delivery by the Purchaser (if party thereto), enforceable against such Seller in accordance with its terms, and upon the execution of each of the other Transaction Documents, each of such other Transaction Documents will constitute the legal, valid and binding obligation of such Seller who is a party thereto, and will be, assuming the due authorization, execution and delivery by the Purchaser (if party thereto), enforceable against such Seller in accordance with its terms, except to the extent that such enforceability may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights generally, and by principles of equity regarding the availability of remedies (whether in a proceeding at law or in equity).

Section 4.04 Non-Contravention; Consents.

Neither the execution, delivery or performance of this Agreement and any other Transaction Document by such Seller, nor the consummation of the Transactions by such Seller, will (with or without notice or lapse of time):

(a) contravene, conflict with or result in a violation or breach of any provisions of any Applicable Law, or give any Governmental Authority or other Person the right to challenge the Transactions or to exercise any remedy or obtain any relief under any Order to which such Seller is bound;

(b) contravene, conflict with or result in a violation or breach of or a default under any provision of, or require any consent under any Contract to which such Seller is a party or by which such Seller is bound, or result in the creation of a Lien on any property or asset of such Seller or any of his Affiliates;

(c) require to make any filing with or give any notice to, or to obtain any Consent from, any Person;

(d) cause any option or right of pre-emption to become exercisable, except to the extent it has been waived on the date hereof;

(e) requires or will require such party to make any filing with or give any notice to, or to obtain any Consent from, any Person and, in respect to antitrust filings or consents, in reliance on the Purchaser's representations herein; or

(f) cause any option, right of notification, right of first refusal or right of pre-emption applicable to the Ownership Interests, the Company or its assets, to become exercisable, except to the extent it has been waived prior to the date hereof.

Section 4.05 Capacity of Seller.

(a) Such Seller:

(1) is not bankrupt or insolvent and has not, at any time, (A) made or proposed a general assignment, arrangement or composition for the benefit of creditors, (B) filed, or had filed against such Seller, any bankruptcy petition or similar filing, (C) suffered the attachment or other judicial seizure of all or a substantially all of such Seller's assets, (D) admitted in writing such Seller's inability to pay such Seller's debts as they become due, or (E) taken or been the subject of any action that will have an adverse effect on such Seller's ability to comply with or perform any of such Seller's covenants or obligations under any of the Transaction Documents; or

(2) is not subject to any Applicable Law that may have an adverse effect on such Seller's ability to comply with or perform any of such Seller's covenants or obligations under any of the Transaction Documents.

(b) There is no Proceeding pending and, to such Seller's Knowledge, no Person has threatened to commence any Proceeding that may have an adverse effect on the ability of such Seller to comply with or perform any of such Seller's covenants or obligations under any of the Transaction Documents. To the Knowledge of the Sellers, no event has occurred, and no claim, dispute or other condition or circumstance exists, that will or might give rise to or serve as the basis for any such Proceeding or the threat of any such Proceeding.

(c) The consummation of the Transactions shall not constitute a fraudulent transfer by such Seller under applicable bankruptcy and other similar laws relating to bankruptcy and insolvency of such Seller.

Section 4.06 Pro Rata Portion.

The Pro Rata Portion set forth herein with respect to each Seller is true and correct as of the date hereof and as of the Closing and shall be true at each date of delivery, and may be relied upon by the Purchaser (and any person acting on its behalf) and is binding and enforceable against each Seller and its respective successors, heirs, executors, and administrators. There are no claims or Proceedings pending by any Person in connection with the distribution of any payment to be made pursuant to the terms herein in accordance with the Pro Rata Portion upon the consummation of the Transactions, and there is no basis for such claim or Proceeding.

Section 4.07 Finder's Fees.

Except as set forth in Section 4.07 of the Company Disclosure Schedule, no broker, investment banker, financial advisor or other Person is entitled to any broker's, finder's, financial advisor's or similar fee or commission in connection with the Transactions contemplated by this Agreement or any other Transaction Document to which such Seller is a party based on any Contract to which such Seller is a party or that is otherwise binding upon such Seller.

Section 4.08 Company Assets.

Any and all tangible and intangible assets, properties and rights, including any Intellectual Property, in which any Seller or his Affiliates has or has had at any time any interest, right or claim and which are necessary or desirable in connection with the Business, or other operations, activities or technologies of the Company as currently conducted and as proposed to be conducted, have been duly assigned and transferred by such Seller or his Affiliates to the Company, as applicable, and such Seller has no remaining right or interest in such assets, properties and rights. In the event that, notwithstanding the foregoing, it transpires that any Seller or his Affiliates has any right or interest in any such assets, properties and rights, then such Seller or his Affiliate shall be deemed to hold such rights or interests in trust for the sole benefit of the Company and the Seller shall take any and all actions and execute any and all documents, as necessary or as otherwise deemed by the Purchaser to be desirable in order to transfer and assign such rights and interests to the Company and vest full and unrestricted title thereof in the Company.

ARTICLE V
REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

The Purchaser represents and warrants to the Company and the Sellers that the statements contained in this Article V are true and correct as of the date of this Agreement and will be true and correct as of the Closing:

Section 5.01 Corporate Authorization.

The Purchaser is a private company duly incorporated and validly existing under the laws of the State of Israel. The Purchaser has all necessary corporate power and authority to enter into and to perform its obligations under this Agreement and the other Transaction Documents to which it is a party, and the execution, delivery and performance by the Purchaser of this Agreement and the other Transaction Documents to which it is a party have been duly authorized by all necessary corporate action on the part of the Purchaser. This Agreement constitutes, and any other Transaction Document to which the Purchaser will be a party will constitute, the legal, valid and binding obligation of the Purchaser, and assuming the due authorization and execution thereof by the other parties thereto, shall be enforceable against the Purchaser in accordance with its terms, except to the extent that such enforceability may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights generally, and by principles of equity regarding the availability of remedies (whether in a proceeding at law or in equity).

Section 5.02 Authority.

Purchaser has all requisite corporate power and authority to enter into this Agreement and any other Transaction Document to be entered into by Purchaser in connection therewith to which it is a party and to consummate the Transactions and the other transactions contemplated hereby and thereby. The execution and delivery by Purchaser of this Agreement and any of the Transaction Documents to which it is a party and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate action on the part of Purchaser, and no other corporate proceedings on the part of Purchaser are necessary for them to authorize this Agreement or to consummate the Transactions and the other transactions contemplated hereby. This Agreement and each of the Transaction Documents to which Purchaser is a party have been duly executed and delivered by Purchaser, and assuming the due authorization, execution and delivery by the other parties hereto and thereto, constitute the valid and binding obligations of Purchaser, enforceable against it in accordance with their respective terms, except that such enforceability may be limited by bankruptcy, insolvency, moratorium or other similar laws affecting or relating to creditors' rights generally, and is subject to general principles of equity.

Section 5.03 Non Contravention.

Neither the execution, delivery or performance of this Agreement or any of the Transaction Documents by the Purchaser, nor the consummation of the Transactions by the Purchaser, will (with or without notice or lapse of time):

(a) contravene, conflict with or result in a violation of any of (i) the provisions of the articles of association or any other charter documents of the Purchaser or (ii) any Applicable Law;

(b) contravene, conflict with or result in a violation of, or give any Governmental Authority or other Person the right to challenge any of the Transactions or to exercise any remedy or obtain any relief under, any Applicable Law or any Order to which the Purchaser or any of the assets owned or used by the Purchaser is subject;

(c) contravene, conflict with or result in a violation or breach of, or result in a default under, any provision of any material Contract by which the Purchaser is bound; or

except, in the case of clauses (a) through (c) above, for such violations, breaches or defaults as would not, individually or in the aggregate, have a material adverse effect on the ability of the Purchaser to consummate the transactions contemplated by this Agreement or any other Transaction Document.

The Purchaser is not and will not be required to make any filing with or give any notice to, or to obtain any Consent from, any Person in connection with: (x) the execution, delivery or performance by the Purchaser of this Agreement or any of the other Transaction Documents; or (y) the consummation by the Purchaser of the Transactions contemplated by this Agreement (except as required by Applicable Law and stock exchange rules).

Section 5.04 No Litigation.

There is no proceeding, or investigation pending, or to the Purchaser's knowledge, threatened against or affecting the Purchaser that, individually or in the aggregate with similar proceedings, or investigations, is or would reasonably be expected to limit the Purchaser's ability to consummate this Agreement or any Transaction Document or the Transaction.

Section 5.05 Finders' Fees.

No broker, investment banker, financial advisor or other Person acting for or on behalf of the Purchaser is entitled to any broker's, finder's, financial advisor's or similar fee or commission in connection with the Transactions contemplated by this Agreement or any other Transaction Document.

Section 5.06 Available Funds.

The Purchaser has, and will have at the Closing and at each time upon which any payment by the Purchaser is due pursuant to the terms of this Agreement, sufficient funds to pay the Closing Payment, Additional Payments and Earnout Payments, as applicable, in each case in accordance with this Agreement.

Section 5.07 Condition of the Business.

Without derogating from any provision of Article X, or from the representations and warranties given in Article III and Article IV, Purchaser acknowledges and agrees that neither the Company nor any Seller is making any representation or warranties whatsoever, express or implied, and Purchaser acknowledges and agrees that, except for the representations and warranties contained in Article III and Article IV of this Agreement. Any claims Purchaser may have for breach of representation or warranty shall be based solely on the representations and warranties of the Company and the Sellers set forth in Article III and Article IV, respectively. Purchaser acknowledges that it has conducted to its satisfaction, its own independent investigation of the condition, operations and business of the Company and has had an opportunity to ask questions and receive answers in making its determination to proceed with the transaction contemplated by this Agreement. Nothing in the representations and warranties in this Section 5.07 shall be construed to limit or restrict Purchaser's right to rely on the Company's representations and warranties pursuant to Article III and on the Sellers' representations and warranties pursuant to Article IV and to seek indemnification with respect to the breach thereof in accordance with the provisions of this Agreement.

ARTICLE VI
[RESERVED]

ARTICLE VII
ADDITIONAL AGREEMENTS

Section 7.01 Public Announcements.

(a) Any press release or public announcement concerning this Agreement or the transactions contemplated hereby shall be issued with the prior written approval of the Purchaser and the Sellers' Representative, and following the execution of this Agreement, the Purchaser shall issue a press release in the form attached hereto as Exhibit M. Notwithstanding the foregoing, Purchaser shall be permitted at any time to make any announcement that is necessary or desirable in order for Purchaser or any of its Affiliates to comply with Applicable Law or stock exchange or market regulation rules applicable to Purchaser or any of its Affiliates.

(b) Each Seller agrees that the information obtained in any investigation pursuant to the negotiation and execution of this Agreement, or the effectuation of the transactions contemplated hereby, shall be governed by the terms of the Confidentiality Agreement. In this regard, each Seller acknowledges that the common stock of Purchaser's ultimate parent company is publicly traded and that any non-public information obtained by such Seller regarding Purchaser and its Affiliates could be considered to be material non-public information within the meaning of securities laws. Accordingly, each Seller acknowledges and agrees not to engage in any transactions in the common stock of Purchaser's ultimate parent company in violation of Applicable Laws relating to securities.

(c) This Section 7.01(a) shall survive the consummation, termination or expiration of this Agreement, the Closing and the transactions contemplated hereby.

Section 7.02 Litigation Support

After the Closing, in the event that, and for so long as, the Purchaser or the Company or any Company Subsidiary is actively contesting or defending against any Proceeding or demand in connection with (a) any transaction contemplated by the Transaction Documents or (b) any fact, situation, circumstance, status, condition, activity, practice, plan, occurrence, event, incident, action, failure to act, or transaction on or prior to the Closing Date involving the Company or any Company Subsidiary, the Sellers' Representative and each Seller will reasonably cooperate with such contesting or defending party and its counsel in the contest or defense, make available their personnel, and provide such testimony and access to their books and records as shall be reasonably necessary in connection with the contest or defense, all at the sole cost and expense of the Purchaser or (at the Purchaser's discretion) the Company or any Company Subsidiary (whether or not the Purchaser is entitled to indemnification hereunder with respect to such matter).

Section 7.03 [Reserved]

Section 7.04 Transition

The parties hereto shall cooperate in any efforts relating to the transition of the Business to the Purchaser. The Sellers shall not take any action that is intended to have the effect of discouraging any licensor, user, customer, supplier, or other business associate of the Company or any Company Subsidiary from entering into a business relationship with the Purchaser, as sought by the Purchaser. The Sellers shall refer all user and customer inquiries or leads (actual or potential) relating to the Company or any Company Subsidiary exclusively to the Purchaser.

Section 7.05 Employee Matters.

The Company shall use reasonable efforts to maintain and retain the employees and consultants of the Company and the Company Subsidiaries in the employ or service of the Company or Company Subsidiaries, as applicable, through the Closing, or terminate the employment or service of those employees and consultants as requested by Purchaser. The Company will coordinate with the Purchaser prior to making or delivering any communication, whether in writing or not, to its employees and consultants, which communication shall be subject to Purchaser's prior review and approval.

Following the Closing, Asaf shall initially join the Parent's management team (but shall not be an officer of the Parent for the purposes of the Israeli Companies Law 1999); provided however that Asaf's continuing participation in the Parent's management team shall be at the Parent's sole discretion.

Section 7.06 Tax Matters.

(a) Filing of Pre-Closing Tax Returns after the Closing Date. The Company and each Company Subsidiary will timely file all Tax Returns required to be filed by or with respect to such Company or Company Subsidiary with a due date (including any applicable extensions) on or prior to the Closing Date and timely pay all Taxes shown as due on such Tax Returns. The Purchaser shall prepare and file, or shall cause to be prepared and filed, all Tax Returns of the Company and each Company Subsidiary that relate to Pre-Closing Tax Periods that are determined by the Purchaser to be required to be filed after the Closing Date, and each Seller shall severally pay to the Purchaser, or cause to be paid, such Seller's Pro Rata Portion of all Taxes due with respect to such Tax Returns. The Sellers shall make the payment due to the Purchaser under this Section 7.06(a) at least two (2) Business Days before payment of Taxes is due to the Tax Authority in connection with the filing of such Tax Returns (provided that, at its sole discretion, Purchaser may elect to instruct the Escrow Agent to release and pay to the Purchaser, in cash by wire transfer, such excess amount, from the Escrow Fund (and the Sellers' Representative shall be deemed to have consented to such recovery and release from the Escrow Fund)).

(b) Filing of Straddle Period Tax Returns. The Purchaser shall prepare and file, or cause to be prepared and filed, any Tax Return of the Company or any Company Subsidiary for a Straddle Period, and each Seller shall severally pay to the Purchaser, or cause to be paid, such Seller's Pro Rata Portion of Taxes due with respect to such Tax Returns, as determined in accordance with Section 7.06(c). The Purchaser shall use reasonable efforts to deliver a draft of any such Tax Return, at least ten (10) days prior to the due date (taking into account any extension) for the filing of such Tax Return, to the Sellers' Representative for review and comment and shall consider such comments in good faith. No delay in providing such Tax Returns to the Sellers' Representative within the above stated period of time shall affect the rights or obligations hereunder, unless (and then only to the extent that) the Sellers are materially prejudiced thereby. The Sellers shall make the payment due to the Purchaser under this Section 7.06(b) at least two (2) Business Days before payment of Taxes is due to the Tax Authority in connection with the filing of such Tax Returns (provided that, at its sole discretion, Purchaser may elect to instruct the Escrow Agent to release and pay to the Purchaser, in cash by wire transfer, such excess amount, from the Escrow Fund (and the Sellers' Representative shall be deemed to have consented to such recovery and release from the Escrow Fund)).

(c) Allocation of Straddle Period Taxes. With respect to Taxes of the Company or any Company Subsidiary relating to a Straddle Period, the Sellers shall be liable for the amount of such Taxes allocable to the portion of the Straddle Period that is deemed to end on the close of business on the Closing Date. For purposes of the preceding sentence, in the case of any Taxes that are imposed on a periodic basis and are payable for a Straddle Period, the portion of such Tax that relates to the portion of such Tax period ending on the Closing Date shall (i) in the case of any Taxes other than Taxes based upon or related to (x) income or receipts or (y) extraordinary events or transactions outside the Company or any Company Subsidiary's ordinary course of business, be deemed to be the amount of such Tax for the entire Tax period multiplied by a fraction the numerator of which is the number of days in the Tax period ending on the Closing Date and the denominator of which is the number of days in the entire Tax period, and (ii) in the case of any Tax based upon or related to (x) income or receipts or (y) extraordinary events or transactions outside the Company or any Company Subsidiary's ordinary course of business, be deemed equal to the amount which would be payable if the relevant Tax period ended on the Closing Date. Taxes for Tax periods or portions thereof ending on or before the Closing Date shall be determined without regard to any items of deduction, loss or credit of the Company or any Company Subsidiary.

(d) Cooperation. The Sellers, the Sellers' Representative and the Purchaser shall reasonably cooperate, and shall cause their respective Representatives and Affiliates reasonably to cooperate, in preparing and filing all Tax Returns, including maintaining and making available to each other all records necessary in connection with Taxes and in resolving all disputes and audits with respect to all taxable periods relating to Taxes.

(e) Tax Contests. The Purchaser shall promptly notify the Sellers' Representative, and the Sellers' Representative and Sellers shall promptly notify the Purchaser, upon receipt by such party of written notice of any inquiries, claims, assessments, audits or similar events from Tax Authorities with respect to Taxes relating to a Pre-Closing Tax Period for which the Sellers would be liable under this Agreement (any such inquiry, claim, assessment, audit or similar event, a "Tax Matter"), provided, however, that any failure to so notify shall not limit any of the rights or obligations hereunder (except to the extent such party shall have been materially prejudiced as a result of such failure). The Purchaser shall have sole control and discretion with respect to handling, defending, settling or any other conduct related to all Tax Matters. The Purchaser shall keep the Sellers' Representative informed, from time to time, of all material developments in any Tax Matter. The Purchaser shall have the right and authority to settle, adjust or compromise such Tax Matter (it being understood that if the Purchaser requests that the Sellers' Representative consent to a settlement, adjustment or compromise, the Sellers' Representative shall not unreasonably withhold or delay such consent).

(f) Payment of Sales, Use, Transfer or Similar Taxes. All sales, use, transfer, value added, intangible, recordation, documentary stamp or similar Taxes or charges, of any nature whatsoever, applicable to, or resulting from, the transactions contemplated by this Agreement shall be borne by the Sellers, and the Sellers shall file all Tax Returns in connection therewith.

(g) The procedures pursuant to clause (e) above shall exclusively govern Tax Matters (rather than those included in Section 10.03 and Section 10.04).

(h) If the IRS determines that the Company is ineligible to make the Section 6221(b) election or the election is otherwise invalid in 2018, 2019 or 2020, the Seller's Representative shall cause the Partnership Representative (as such is defined in the U.S. Treasury Regulations) to make the Section 6226 push out election with respect to any tax year of the Company under audit, and the Sellers' Representative shall not object to or take any action contrary to such election.

Section 7.07 Non-compete: Non-solicitation; Confidentiality.

(a) As a material inducement for the entry by the Purchaser into this Agreement and in order to protect the value of the Company (including, without limitation, the goodwill inherent in the Company as of the Closing) and so that the Purchaser may have and enjoy the full benefit of the Company and its Business, each Seller agrees as follows (without derogating from any other obligation undertaken by any such Seller who will remain an employee or service provider of the Company or any Company Subsidiary or the Purchaser following the Closing):

(i) During the Noncompete Period, each Seller shall not, and shall cause its respective Affiliates to not, (and shall not take any steps toward or preparations in respect of), directly or indirectly (including, without limitation, through its respective Affiliates and any director, officer, employee, agent or consultant thereof or of its respective Affiliates), either for such Seller or for any other Person, own, manage, operate, finance, join, control, participate in the ownership (except for up to 5% ownership of a publicly-traded entity), management, financing, operation, business or control of, consult to, render services for, permit his name to be used or in any other manner engage or compete, in or otherwise be involved in any way in any business or Person anywhere in the world, that (1) is engaged in or is, to the Knowledge of such Seller, at such time intended to engage in the research, developing, producing, offering, distributing, selling, marketing, maintaining or supporting of technologies, products or services similar to, substitute to, competitive with the Business and/or the Purchaser Business, as currently conducted and as currently proposed to be conducted by Parent and its Subsidiaries, or (2) otherwise competes with or is intended to compete with the Business and/or the Purchaser Business as currently conducted and as currently proposed to be conducted (each of the foregoing, the "Restrictive Field"); provided that each Seller may engage, either as an employee or consultant, in a competitive company in the Restrictive Field, as long as such Sellers' position is not related in any manner to the Restrictive Field in companies such as Facebook, Google, Amazon and other multinational companies of similar nature and size. For the purposes of this Agreement, the term "participate" includes any direct or indirect interest in any Person, whether as an officer, director, manager, employee, partner, sole proprietor, agent, representative, independent contractor, franchisor, franchisee, creditor, or owner; provided that the foregoing activities shall not include passive ownership (without having board representation, or being an officer, employee or service provide thereof) of less than five (5) percent of the share capital of a publicly held entity whose shares are traded on a securities exchange or in the over the counter market.

(ii) During the Noncompete Period, each Seller shall not, and shall cause its respective Affiliates, not to, (including, without limitation, through its respective Affiliates and any director, officer, employee, agent or consultant thereof or of its respective Affiliates) (1) encourage, induce, solicit or attempt to encourage, induce or solicit any officer, director, manager, consultant or employee of the Company or any Company Subsidiary, the Purchaser or any of their Affiliates (collectively, the "Company Group") to leave the employ of the Company Group; (2) hire or employ any Person who is at such time, is currently or was during the then-immediately preceding six (6) month period an officer, director, manager, consultant or employee of the Company Group; (3) call on, solicit, or service any customer, supplier, distributor, reseller, licensee, licensor or other business relation of the Company Group with respect to products or services that have been provided by the Company Group, are currently being provided by the Company Group, or which the Company Group is currently in the process of developing or negotiating; or (4) encourage, induce or solicit, or attempt to encourage, induce or solicit, any customer, supplier, distributor, reseller, licensee, licensor or other business relation of the Company Group to cease doing business with or reducing its business activity with the Company Group. Under no circumstance shall the Key Persons work together during the Non-Compete Period, either as partners, employers, or employees of one another or otherwise, except as employees of Purchaser or its Affiliates or as otherwise expressly agreed in writing by the Purchaser, provided that, without limitation to their obligations hereunder (including their non-compete obligations and non-solicit obligations with respect to any person other than the other Seller), solely with respect to the undertaking of Sellers not to work together, the following provisions shall apply: the Sellers undertaking not to work together shall expire at the expiration of the period of twenty four (24) months following the Closing, provided that, in the event that one of the Sellers is terminated by the Purchaser (for clarity, not by the other Seller), other than for Cause, then such Sellers undertaking not to work together shall expire at the expiration of a period of six (6) months following the effective date of such cessation of employee-employer relationship between such Seller and the Company.

(iii) During the Noncompete Period, each Seller shall not, and shall cause its respective Affiliates not to (including through its respective Affiliates and including through any director, officer, employee, agent or consultant thereof or of their respective Affiliates, or through or with the participation of any Third Party), intentionally or negligently cause any harm to the Company Group's business or to their reputation in the market and not to make any public remarks which are negative or disparaging, about the Company Group or its respective officers, employees, directors, shareholders, products, services or business, including not stating or alleging that the technologies or products of the Company, as then conducted or proposed to be conducted, are defective, fail to perform or comply with any relevant standards, are inferior, non-competitive, or generally unsatisfactory.

(iv) From and after the date hereof, each Seller shall not, and shall cause its respective Representatives, not to disclose, reveal, divulge or communicate to any Person, or use or otherwise exploit for its own benefit or for the benefit of anyone other than the Purchaser, any Confidential Information. Solely for purposes of this clause (iv), "Confidential Information" does not include information that (1) is in the public domain at the Closing Date, or subsequently becomes so through no fault of any Seller; (2) is furnished to any Seller and/or each of their respective Representatives (as the case may be) by a third party having a lawful right to do so; or (3) was explicitly approved for release by written authorization of the Purchaser. The Sellers and each of their respective Representatives shall be permitted to disclose Confidential Information if such disclosure is in response to a valid order of a court or other Governmental Authority, but only to the extent of and for the purposes of such order, provided, however, that such Seller or any of its Representatives (as the case may be) shall, to the extent legally permissible and reasonably possible, first notify the Purchaser in writing of the order, and permit the Purchaser to seek an appropriate protective order or other protection in respect of such required disclosure, and shall limit such disclosure to the extent reasonably possible while still complying with such requirements. Each Seller shall use all reasonable care to safeguard Confidential Information and to protect it against disclosure, misuse, espionage, loss and theft.

(b) Each Seller acknowledges and represents that: (1) sufficient consideration has been given as it relates to such party's obligations under Section 7.06(a); (2) such Seller has consulted with legal counsel of such Seller's choosing regarding its, his or her rights and obligations under this Section 7.06(a); (3) such Seller fully understands the terms and conditions contained herein; (4) the scope of the business of the Company Group is independent of location (such that it is not practical to limit the restrictions contained in this Section 7.06(a) to a specified country, city or part thereof); (5) the restrictions and agreements in this Section 7.06(a) are reasonable in all respects and necessary for the protection of the Company and the other members of the Company Group and its confidential information and goodwill and that, without such protection, the Company Group customer and client relationship and competitive advantage would be materially adversely affected; and (6) the agreements in this Section 7.06(a) are an essential inducement to the Purchaser to enter into this Agreement and they are in addition to, rather than in lieu of, any similar or related covenants to which such party is party to or by which such party is bound (whether under Contract or by Applicable Law). Each Seller that is an individual further acknowledges that the restrictions contained in this Section 7.06(a) do not impose an undue hardship on him and, since he has general skills which may be used in other industries, do not deprive Seller of his livelihood or business.

(c) The covenants and undertakings contained in this Section 7.06(a) relate to matters which are of a special, unique and extraordinary character and a violation of any of the terms of this Section 7.06(a) may cause irreparable injury to the Company Group (and their successors, assigns and any third-party beneficiary), the amount of which will be impossible to estimate or determine and which cannot be adequately compensated. Therefore, the Company Group (and their its successors, assigns and any third-party beneficiary) may be entitled to seek, in addition to other rights and remedies existing in their favor under Applicable Law or in equity, an injunction, restraining order or other equitable relief from any court of competent jurisdiction in the event of any breach or threatened breach of any provisions of this Section 7.06(a).

(d) If at any time a court of competent jurisdiction or arbitrator's award holds that the restrictions in this Section 7.06(a) are unreasonable under circumstances then existing, or that a specified time period, a specified geographical area, a specified business limitation or any other relevant feature of this Section 7.06(a) is unreasonable, arbitrary or against public policy, the parties hereto agree that the maximum period, scope or geographical area reasonable, not arbitrary, and not against public policy under such circumstances shall be substituted for the stated period, scope or area or any other relevant feature and may then be enforced against the applicable party.

Section 7.08 Waiver of Claims.

(a) As a material inducement to the Purchaser's willingness to enter into and perform this Agreement and to purchase the Ownership Interests for the consideration to be paid or provided to the Sellers in connection with such purchase, each Seller, on behalf of himself and on behalf of each of such Seller's Affiliates and Representatives, hereby releases and forever discharges the Company and each of its individual, joint or mutual, past, present and future Representatives, Affiliates, shareholders, controlling persons, Subsidiaries, successors and assigns (individually, a "Releasee" and collectively, "Releasees") from any and all Proceedings, Contracts and Liabilities relating in any way whatsoever to the Company or any Company Subsidiary, any action or omission of any such Person relating to the Company or any Company Subsidiary, whether known or unknown, suspected or unsuspected, both at law and in equity, which such Seller or any of its respective Representatives now has, have ever had or may hereafter have against the respective Releasees arising contemporaneously with or prior to the Closing (but not, for the avoidance of doubt, following the Closing) or on account of or arising out of any matter, cause or event occurring contemporaneously with or prior to the Closing Date, including, but not limited to, any rights to indemnification or reimbursement from any Releasee, whether pursuant to their respective Organizational Documents, Contract or otherwise and whether or not relating to claims pending on, or asserted after, the Closing Date; provided, however, that nothing contained herein shall operate to release (i) any obligation of the Purchaser arising under this Agreement, and (ii) rights under the new employment agreements between the Company and a Seller-employee entered into simultaneously with the Closing. Each Seller hereby irrevocably covenants to refrain from, directly or indirectly, asserting any claim or demand, or commencing, instituting or causing to be commenced, any Proceeding of any kind against any Releasee, based upon any matter purported to be released hereby.

(b) The Sellers hereby waive any and all first refusal, first offer, notification, veto or other rights under the Organizational Documents of the Company or any Company Subsidiary or any Contract to which any of them are a party with respect to the execution of this Agreement, the Transaction Documents and the consummation of the Transactions (including any notice requirement or notice period with respect thereto) and their signature on this Agreement shall constitute their consent to, and vote in favor of this Agreement, the Transaction Documents and the transactions contemplated hereby and thereby (if required), whether by law, Organizational Documents, any Contract or otherwise.

Section 7.09 [Reserved].

Section 7.10 [Reserved].

Section 7.11 Grant of Employee RSUs.

Within 75 days of the Closing Date, subject to the discretion of the board of directors of Parent, Purchaser shall procure that Parent shall grant an aggregate of $2,000,000 worth of restricted stock units under Parent's Equity Incentive Plan (as amended).

Section 7.12 Sellers' Residency Certificates.

Within 90 days of the Closing Date, each of the Sellers shall deliver to the Purchaser a residency certificate issued by the IRS confirming that such Seller is resident for tax purposes in the United States as of the date of this Agreement.

ARTICLE VIII
CONDITIONS TO THE TRANSACTIONS

Section 8.01 Conditions to the Obligations of Each Party.

The obligations of each of the Company, the Purchaser and the Sellers to consummate the Transactions are subject to the satisfaction of the following conditions:

(a) No Injunction. There shall be (i) no Proceedings, either temporarily or permanently, which has or could have the effect of making the transactions contemplated by this Agreement illegal, or otherwise restraining, prohibiting or preventing the consummation thereof; (ii) no temporary restraining Order, preliminary or permanent injunction or other Order issued by any Governmental Authority in effect which has or could reasonably be expected to have the effect of making the transactions contemplated by this Agreement illegal, or otherwise restraining, prohibiting or preventing the consummation thereof; and (iii) no Applicable Law enacted which could reasonably be expected to impair, prevent or prohibit the consummation of the Transactions.

Section 8.02 Conditions to the Obligations of the Purchaser

The obligations of the Purchaser to consummate the Transactions are subject to the satisfaction or waiver by the Purchaser in its sole discretion, at or prior to the Closing, of the following further conditions:

(a) Representations and Warranties. The representations and warranties of the Company and the Sellers set forth in this Agreement and any Transaction Document shall be true and correct on and as of the date of this Agreement and shall be true and correct in all material respects on and as of the Closing as though made at and as of the Closing (except for such representations and warranties that are qualified by their terms by a reference to materiality, which representations and warranties as so qualified shall be true and correct in all respects), except (i) for the Fundamental Representations which shall be true and accurate in all respects on and as of the date of this Agreement and on and as of the Closing Date; and (ii) to the extent such representations and warranties expressly relate to an earlier date, in which case such representations and warranties shall be true and correct as aforesaid on and as of such earlier date.

(b) Covenants. Each of the Company and the Sellers shall have performed and complied, in all material respects, with all covenants required to be performed or complied with by each such party prior to the Closing.

(c) [Reserved].

(d) Receipt of Closing Deliveries. The Purchaser shall have received each of the documents and deliverables listed in Section 2.06(b)(1) in form and substance reasonably acceptable to the Purchaser.

(e) Employees. (i) All of the Key Person Agreements entered into on the date hereof with each of the Key Persons shall be in full force and effect, none of the Key Persons shall have indicated his or her intention to terminate such Key Person Agreements, and (ii) at least 70% of all employees employed by the Company and the Company Subsidiaries as of the date of this Agreement (excluding the Key Persons) shall remain employed therewith, and shall not have indicated an intent to terminate such employment

(f) Litigation. There shall not be: (i) pending by or before any Governmental Authority any Proceeding that (A) seeks to frustrate, prevent or restrict the consummation of the Transactions on their terms, and the conferring upon the Purchaser and the Company or any Company Subsidiary all of their respective rights and benefits, contemplated by this Agreement, or which has or could have the effect of limiting or restricting Purchaser's ownership of the Company's assets or conduct or operation of the Business following the Closing, (B) seeks the award of Losses, or any other remedy against, the Company or any Company Subsidiary if the Transactions are consummated, that in either case, if affirmed, would amount to a Material Adverse Effect or (C) seeks remedy to the effect that any of the Company Services, its technologies or Intellectual Property, or otherwise the business of the Company or any Company Subsidiary, infringes, misappropriates or otherwise violates the Intellectual Property rights of any other Person; or (ii) any Proceeding threatened in writing by any Person that if successful would have any of the effects described in clause (i) above.

(g) Removal of Liens. There shall be no Liens on any of the share capital (registered or issued) of the Company or any Company Subsidiary.

(h) Material Adverse Effect. There shall have occurred no Material Adverse Effect.

Section 8.03 Conditions to the Obligations of the Sellers.

The obligations of the Sellers to consummate the Transactions are subject to the satisfaction, or waiver by the Sellers' Representative, of the following further conditions:

(a) Representations and Warranties. The representations and warranties of the Purchaser set forth in this Agreement shall be true and correct on and as of the date of this Agreement and shall be true and correct in all material respects on and as of the Closing as though made at and as of the Closing (except for such representations and warranties that are qualified by their terms by a reference to materiality, which representations and warranties as so qualified shall be true and correct in all respects), except to the extent such representations and warranties expressly relate to an earlier date, in which case such representations and warranties shall be true and correct as aforesaid on and as of such earlier date.

(b) Covenants. The Purchaser shall have performed and complied, in all material respects, with all covenants required to be performed or complied with by the Purchaser prior to the Closing.

(c) Budget. The Company's two (2) year budget following the Closing shall be as attached hereto as Exhibit P, which budget Purchaser currently intends to be used by the Company following the Closing, and for the avoidance of doubt may be amended from time to time following the Closing at the absolute discretion of the Purchaser and its Affiliates ("Budget"). It is hereby clarified and agreed that the Budget attached is indicative only and may not be the subject of any claims by the Sellers against the Purchaser. In addition, nothing in the Budget shall be used to interpret Exhibit B (Earnout Payments) or otherwise used in order to determine the achievements of the various targets under Exhibit B.

(d) Receipt of Closing Deliveries. The Sellers and the Sellers' Representative shall have received each of the documents and deliverables listed in Section 2.06(b)(2).

(e) Closing Payment; Escrow Payment. The Purchaser shall have delivered to the Company an irrevocable wire instruction for the payments required to be delivered at the Closing in accordance with Section 2.02.

ARTICLE IX
[RESERVED]

ARTICLE X
INDEMNIFICATION

Section 10.01 Survival of Representations.

(a) Subject to Section 10.01(b) and Section 10.01(c), all representations, warranties, covenants and agreements of the parties contained herein or in any Transaction Documents shall survive the execution and delivery of this Agreement or such Transaction Documents and the consummation of the transactions contemplated hereby and thereby, regardless of any investigation made by or on behalf of any party hereto or its Affiliates or the knowledge of any such party's (or its Affiliates') officers, directors, shareholders, managers, members, partners, employees or agents.

(b) The representations and warranties of the parties contained in Article III, Article IV and Article V of this Agreement shall survive the Closing through April 30, 2022, other than (i) claims for Fraud which shall survive the Closing Date without a time limit, (ii) the representations and warranties set forth in Section 3.01 (*Corporate Existence and Power*), Section 3.02 (Corporate Authorization.), Section 3.07 (Capitalization.), Section 3.08 (*Financial Statements*) and Section 3.18 (Tax Matters.) and the representations and warranties set forth Article IV (together the "Fundamental Representations"), all of which shall survive the Closing until the date that is 60 days after the expiration of the applicable statute of limitations (including all periods of extension and revisiting whether automatic or permissive) with respect to any theretofore unasserted claims arising out of or otherwise in respect thereof, or (iii) Section 3.16 (*Intellectual Property*), which shall survive the Closing until the date that is thirty-six (36) months following the Closing Date, ***provided***, that claims under Section 3.16(t) (the "Publication Matters") which shall survive the Closing until the date that is twenty-four (24) months following the Closing Date (each such period in this Section 10.01(b), as the case may be, shall be referred to as the "Survival Period"); provided, however, that the representations and warranties as to which notice was delivered in accordance with this Article X on or prior to the termination of the applicable Survival Period shall continue to survive until such matter is finally resolved.

(c) Notwithstanding anything to the contrary contained in this Agreement, no limitation set forth herein shall apply in the case of claims involving or alleging fraud, intentional misrepresentation, willful misconduct or intentional breach (collectively, "Fraud"), whether by the Company or any Company Subsidiary, or any Seller.

Section 10.02 Indemnification by Sellers.

(a) Indemnification.

(1) Subject to the provisions of this Section 10.02, each Seller hereby agrees, on a several and not joint basis, to indemnify the Purchaser and its Affiliates (including the Company and the Company Subsidiaries after the Closing) and each of their respective officers, directors, stockholders, managers, members, partners, employees, consultants, agents, representatives, successors and assigns (collectively, the "Purchaser Indemnified Parties") and hold each of them harmless from and against, and pay on behalf of or reimburse any such Purchaser Indemnified Party for, any Loss which such Purchaser Indemnified Party may suffer, sustain or become subject to, as a result of, arising out of, relating to or in connection with any claim involving any of the following (the following, together the items described by clauses (2)(i) through 2(iv) of this Section 10.02(a), the "Indemnifiable Matters"):

(i) any failure of any representation or warranty made by the Company in this Agreement to be true and correct as of the date of this Agreement and as of the Closing Date as though such representation or warranty were made as of the Closing Date, except in the case of representations and warranties which specifically relate to an earlier date, which representations and warranties shall be true and correct as of such date;

(ii) any breach of any covenant or obligation of, or agreement by, the Company or the Sellers' Representative contained in this Agreement or in any other Transaction Document;

(iii) (A) any Taxes of, owed or that may become owed by, the Company or any Company Subsidiary with respect to any Pre-Closing Tax Period; and (B) any Tax liability in connection with any payment or deemed payment made by the Company or any Company Subsidiary in connection with the Transactions;

(iv) (A) the unpaid Transaction Expenses as of the Closing, (B) any Closing Working Capital Deficiency and (C) the Company Debt as of the Closing; in each case if and to the extent not included in the Purchase Price Adjustment Amount;

(v) relating to the allocation of any payment paid, deemed paid or due pursuant to the provisions of this Agreement (to the extent made in accordance with the terms of this Agreement and the other Transaction Documents) and the Transaction Documents, including the allocation of the Purchase Price among the Sellers and any other claim, demand or Proceeding for any portion of the Purchase Price other than that which is payable pursuant to this Agreement, by any Seller or other security holder (or person claiming to be a security holder or holder of any Quasi Equity Rights) of the Company or any Company Subsidiary related to the Transactions;

(vi) any matter stated in the Company Disclosure Schedule to be disregarded for purposes of this Article X, including in any Proceeding relating thereto, and the defense or settlement of such matters;

(vii) non-compliance by the Company or any Company Subsidiary with a Key Counterparty's applicable terms and conditions or any Contract with such Key Counterparty, or any 'claw-back' or repayment to such Key Counterparty of revenue previously recognized by the Company or a Company Subsidiary;

(viii) any non-compliance by the Company or a Company Subsidiary with its exclusivity obligations under those agreements set forth in Section 3.11(a)(3);

(ix) related to: (A) the Company's and the Company Subsidiaries' collection, acquisition, use, holding, processing and provision of 'cookies' (including any violation of Data Standards with respect thereto), or (B) any fine imposed, or claim or Proceeding brought, by a Governmental Authority arising from, or related to, a violation or breach by the Company or a Company Subsidiary of Data Standards or otherwise arising from violations of spam and marketing rules, or related to security incidents or personal data breaches;

(x) arising out of the treatment or classification of any Person engaged by or providing services to the Company or a Company Subsidiary (whether directly, or through a manpower or consulting company) as a non-employee;

(xi) any claim or Proceeding brought by a present or former employee, member, shareholder, consultant or contractor of the Company relating to an alleged ownership or entitlement to any membership interest, equity interest, Option or Quasi Equity Right, in the Company or a Company Subsidiary; and

(xii) any claim or Proceeding brought by a present or former employee, member, shareholder, consultant or contractor of the Company for ownership or other rights (including any moral rights or additional remuneration rights) in respect of any Company Intellectual Property.

(2) Subject to the provisions of this Section 10.02, each Seller, on a several and not joint basis, shall indemnify the Purchaser Indemnified Parties and hold each of them harmless from and against and pay on behalf of or reimburse any such Purchaser Indemnified Party in respect of the entirety of any Loss which such Purchaser Indemnified Party may suffer or sustain or become subject to, as a result of or arising out of any claim involving any of the following:

(i) any failure of any representation or warranty made by such Seller in this Agreement to be true and correct as of the date of this Agreement and as of the Closing Date as though such representation or warranty were made as of the Closing Date, except in the case of representations and warranties which specifically relate to an earlier date, which representations and warranties shall be true and correct as of such date;

(ii) any breach of any covenant or obligation of, or agreement by, such Seller contained in this Agreement or in any other Transaction Document;

(iii) (A) any Tax liability in connection with any payment or deemed payment made to each Seller in connection with the Transactions (including any portion of the Purchase Price), (B) any failure to perform any covenant contained in this Agreement with respect to Taxes, and (C) any failure by such Seller to timely pay any and all Taxes required to be borne by it pursuant to Section 7.06 or otherwise payable in connection with the transactions contemplated hereunder; and

(iv) any claim, demand or Proceeding by such Seller, in any capacity, or its respective Affiliates, arising out of or pertaining to matters purported to be waived or terminated pursuant to Section 7.08.

(3) Materiality and Knowledge standards or qualifications, and qualifications by reference to the defined term "Material Adverse Effect" in any representation, warranty, covenant, agreement or obligation shall only be taken into account in determining whether a breach of or default in connection with such representation, warranty, covenant, agreement or obligation (or failure of any representation or warranty to be true and correct) exists, and shall not be taken into account in determining the amount of any Losses with respect to such breach, default or failure to be true and correct.

(b) Indemnification; Liability Cap. The maximum aggregate Losses owed and payable by the Sellers shall be limited as follows, without duplication:

(1) with respect to Indemnifiable Matters under Section 10.02(a)(1)(i) (*Company Representations*) (other than those which arise from any breach or inaccuracy of the Fundamental Representations), or under Section 10.02(a)(1)(x) (*Misclassification of Employees*), (i) with respect to any Claim Certificate submitted on or prior to (and inclusive of) the Cap Step Down Date, an amount equal to twenty percent (20%) of the Aggregate Consideration paid or due to be paid (including any Additional Payments or Earnout Payments due and payable or that, upon becoming so, become due and payable but excluding any amounts paid or payable as Realized Closing Working Capital Balance) (so if, for example, an aggregate amount of US$70,000,000 is actually paid under this Agreement, then this cap with respect to a Claim Certificate submitted on or prior to the Cap Step Down Date shall be US$14,000,000), and (ii) with respect to any Claim Certificate submitted following the Cap Step Down Date, the greater of (A) twenty percent (20%) of the Aggregate Consideration paid on or prior to the Cap Step Down Date (disregarding any permitted set off pursuant to Section 12.11 for the purpose of determining the amount of payments of Aggregate Consideration made in this section and excluding any amounts paid or payable as Realized Closing Working Capital Balance), and (B) fifteen percent (15%) of the Aggregate Consideration paid or due to be paid (including any Additional Payments or Earnout Payments due and payable or that, upon becoming so, subsequently become due and payable but excluding any amounts paid or payable as Realized Closing Working Capital Balance);

(2) with respect to Indemnifiable Matters to the extent they arise from: (i) any breach or inaccuracy of the representations and warranties of the Company contained in Section 3.16 (*Intellectual Property*), or (ii) under Section 10.02(1)(vii) (*Key Counterparty Contracts*) or Section 10.02(a)(ix) (*Cookies and Data Standards Fines*)(1)(viii) thirty-five percent (35)% of the Aggregate Consideration paid or due to be paid (including any Additional Payments or Earnout Payments due and payable or that, upon becoming so, become due and payable but excluding any amounts paid or payable as Realized Closing Working Capital Balance);) *minus* any amounts paid under sub-Section 10.02(b)(1);

(3) with respect to all Indemnifiable Matters, collectively with any other indemnification the recovery for which is limited pursuant to this Section 10.02(b), one hundred percent (100%) of the Purchase Price paid or due to be paid (including any Additional Payments or Earnout Payments due and payable or that become due and payable but excluding any amounts paid or payable as Realized Closing Working Capital Balance), *provided, however*, that the liability of any Seller who committed or was aware of Fraud shall not be limited in amount.

(c) Notwithstanding anything to the contrary contained herein, nothing shall prevent or restrict a Purchaser Indemnified Party from seeking (A) injunctive or other equitable relief to enjoin the breach, or threatened breach, of any provision of this Agreement or any Transaction Document, (B) specific performance of the provisions of this Agreement or any Transaction Document, and (C) declaratory relief with respect to this Agreement or any Transaction Document.

(d) Allocation of Losses. Indemnification by the Sellers will be several and not joint, and, other than pursuant to Section 10.02(a)(2), shall be allocated among the Sellers in accordance with each such Seller's Pro Rata Portion. Indemnification of a specific Seller pursuant to Section 10.02(a)(2) shall be borne solely by such Seller, provided that a Purchaser Indemnified Party shall be entitled to deduct the full amount of Loss indemnified under Section 10.02(a)(2) from the Escrow Funds, regardless of the allocation of such Losses between the Sellers.

(e) Basket. Notwithstanding anything to the contrary contained herein, the Sellers shall not be liable for any Losses arising under Section 10.02(a)(1)(i) (other than in respect of Fundamental Representations or Fraud) or Section 10.02(a)(ii) unless and until the aggregate amount of such Losses exceeds $350,000; *provided*, that for Losses arising from Publication Matters, such figure shall be $200,000 (collectively the "Basket"), and if the aggregate amount of any Losses exceeds the Basket, the Purchaser Indemnified Parties shall be entitled to indemnification for all such Losses, disregarding the Basket, from the first dollar.

(f) Except in the case of set off permitted hereunder (which shall be permitted as otherwise provided herein notwithstanding that there is a balance in the Escrow Fund available with respect to such indemnification obligations), the Escrow Fund will be the Purchaser's first recourse with respect to the indemnification obligations of the Sellers.

(g) Exclusive Remedy. The parties hereto hereby agree that, except with respect to claims of Fraud, the remedies set forth by this Agreement shall be the sole and exclusive remedy of Purchaser Indemnified Parties for any matter based upon, resulting from, arising out of or in connection with this Agreement. Other remedies or recourse of any kind or nature, in contract, tort or otherwise, are hereby irrevocably waived.

(h) None of Purchaser Indemnified Parties shall be indemnified more than once for the same Losses suffered regardless, of whether such Loss may be attributed to more than one indemnity, breach of several paragraphs of the representations and warranties or the breach of the default in connection with several covenants or obligations herein.

Section 10.03 Claims and Procedures.

(a) Claim Certificate. If any Purchaser Indemnified Party may be entitled to indemnification, or if it becomes aware of any facts or circumstances which may reasonably be expected to result in indemnification, compensation or reimbursement pursuant to this Article X, the Purchaser may deliver to the Sellers' Representative and the Escrow Agent (to the extent the Losses are to be sought from the Escrow Fund) a notice (a "Claim Certificate"). The Claim Certificate shall, to the extent possible (solely based upon the information then known to Purchaser), contain a good faith non-binding, preliminary estimate of the amount of Losses (the aggregate amount of such estimate, as it may be modified by Purchaser Indemnified Party from time to time, being referred to as the "Claimed Amount") and a reasonably detailed description of the material facts giving rise to such claim. No delay in providing such Claim Certificate within the applicable Survival Period shall affect an Indemnified Party's rights hereunder, unless (and then only to the extent that) the Indemnifying Parties are materially prejudiced thereby.

(b) Retained Amounts.

(1) Notwithstanding the foregoing, if a Purchaser Indemnified Party seeks indemnification for Losses (or any other amount due to Purchaser) prior to the expiration of the Escrow Period, the Purchaser Indemnified Party may recover such Losses from the Escrow Fund in accordance with the terms of the Escrow Agreement. Such portion of the Escrow Fund as may be necessary to satisfy any unresolved or unsatisfied claims for Losses specified in any Claim Certificate delivered prior to expiration of the Escrow Period ("Unresolved Claims") shall remain in the Escrow Fund until such claims for Losses have been resolved or satisfied. The remaining applicable portion of the Escrow Fund, if any, shall be released by the Escrow Agent for payment to the Sellers no later than five (5) Business Days following the expiration of the Escrow Period or after the final resolution of such Unresolved Claim as applicable. At such time, the Escrow Agent shall (and, if necessary, Purchaser and the Seller Representatives shall jointly execute and deliver to the Escrow Agent a written notice instructing the Escrow Agent to act accordingly) release from the Escrow Fund to each Seller the applicable portion thereof according to its Pro Rata Portion.

(2) Notwithstanding anything to the contrary herein, in the case of any Claimed Amount relating to a Third Party Claim has been retained in the Escrow Fund pursuant to Section 10.03(b)(1), or has been set off by the Purchaser and that (i) has not become the subject of an actual Proceeding by such Third Party, and (ii) has not been the subject of written correspondence (actually received by a party to this Agreement) from the third party initiating such Third Party Claim (or such third party's attorney or representative) for a period of twenty-four (24) months, then either the Purchaser or the Seller Representative shall at such time be entitled to (x) seek a declaratory judgment against such third party with respect to the Third Party Claim, and/or (y) refer such matter to arbitration under Section 12.05 for the purposes of determining the amount that may reasonably be retained in the Escrow Fund with respect to such Third Party Claim (and provided that any such determination under this sub-clause (y) shall relate solely to the reasonableness of retaining monies in the Escrow Fund and shall not release or reduce the liability of the Sellers with respect to the applicable Third Party Claim itself).

(c) Dispute Procedure. During the thirty (30) day period commencing upon the date that notice is deemed duly given to the Sellers' Representative of a Claim Certificate (the "Dispute Period"), the Sellers' Representative may deliver to the Purchaser and the Escrow Agent (to the extent the Losses are to be sought from the Escrow Fund) a written response (the "Response Notice") in which the Sellers' Representative: (i) agrees that the full Claimed Amount is owed to the Purchaser Indemnified Party; (ii) agrees that part, but not all, of the Claimed Amount (the "Agreed Amount") is owed to the Purchaser Indemnified Party; or (iii) indicates that no part of the Claimed Amount is owing to the Purchaser Indemnified Party. Any part of the Claimed Amount that is not agreed to be owing to the Purchaser Indemnified Party pursuant to the Response Notice shall be the "Contested Amount". The Escrow Agent will be authorized to disburse out of the Escrow Fund to the Purchaser Indemnified Parties such amounts specified in one or more Claim Certificates for which no Response Notice has been timely received by the Escrow Agent (regardless of whether such disbursement would reduce the Escrow Fund to an amount less than the amount subject to all Response Notices which have been timely received by the Escrow Agent).

(d) Payment of Claimed Amount. If the Sellers' Representative delivers a Response Notice agreeing that the full Claimed Amount or the Agreed Amount is owed to the Purchaser Indemnified Parties, then such Claimed Amount or the Agreed Amount, as the case may be, shall be released by the Escrow Agent to the respective Purchaser Indemnified Party from the Escrow Fund, and the Escrow Agent shall be entitled to conclusively rely on the Response Notice and shall make delivery of cash to the Purchaser Indemnified Parties from the Escrow Fund. In the event that the amounts deposited in the Escrow Fund are insufficient, and indemnification hereunder is not limited to the Escrow Fund, each Seller shall within ten (10) Business Days following the earlier of the delivery of such Response Notice or the expiration of the Dispute Period, pay such Seller's Pro Rata Portion of the Claimed Amount or the Agreed Amount, as the case may be, to the Purchaser Indemnified Parties, in excess of the recovery from the Escrow Fund.

(e) Resolution between the Parties. If the Sellers' Representative delivers a Response Notice indicating that there is a Contested Amount, the Sellers' Representative and the Purchaser shall attempt in good faith to resolve the dispute related to the Contested Amount. If the Purchaser and the Sellers' Representative resolve such dispute, such resolution shall be binding on the Sellers' Representative, the Sellers and the Purchaser and a settlement agreement stipulating the amount owed to the Purchaser Indemnified Parties (the "Stipulated Amount") shall be signed by Purchaser and the Sellers' Representative, and the provisions of sub-Section (d) above relating to release and payment of the Agreed Amount shall apply to the Stipulated Amount. If within forty five (45) days after receipt by the Purchaser of such Sellers' Response Notice, and after good faith negotiations, the parties are unable to agree on the rights of the respective parties with respect to any disputed items of Losses set forth in a Claim Certificate, either the Purchaser Indemnifying Party or the Sellers Representative may submit any such dispute for resolution pursuant to the provisions of Section 12.05 hereof.

Section 10.04 Defense of Third-Party Claims.

In the event of the assertion or commencement by any Person of any claim or Proceeding with respect to which any Seller may become obligated to hold harmless, indemnify, compensate or reimburse any Purchaser Indemnified Party pursuant to this Article X (a "Third Party Claim"), the Purchaser shall have the right, at its election, to proceed with the defense of such Third Party Claim on its own. If the Purchaser so proceeds with the defense of any such Third Party Claim:

(a) each Seller and the Sellers' Representative shall make available to the Purchaser any documents, materials and other information in their possession or control that may be necessary to the defense of such claim or Proceeding; and

(b) the Purchaser shall control the defense of each Third Party Claim, and the Sellers' Representative shall be entitled to participate at the expense of the Sellers in any litigation, negotiation of settlement, adjustment or compromise with respect to any such Third Party Claim. In connection with such participation by the Sellers Representation, (A) Purchaser shall use commercially reasonable efforts to notify, keep informed, consult, cooperate with and provide regular updates to the Sellers Representative in respect of all material steps taken and developments relating to such Third Party Claim; and (B) Purchaser shall afford the Seller Representative and its advisors and representatives, reasonable access to any documents or other information relating to the Third Party Claim for purposes of the Sellers' Representative's participation in the Third Party Claim; provided that the Sellers and any such advisors and representatives shall, if requested by the Purchaser, first execute the Purchaser's standard confidentiality agreement in favor of the Purchaser and its Affiliates, which shall contain an undertaking to maintain strict confidentiality regarding any relevant document or information, and provided further that the Purchaser shall not be required to share or provide any information if such provision would result in the loss of any privilege in respect of such information. Notwithstanding the foregoing, the Purchaser shall have the right, at its sole discretion, to settle, adjust or compromise any such Third Party Claim and to consent to the entry of any judgement; *provided, however*, that if the Purchaser settles, adjusts, compromises or consents to any Third Party Claim without the prior written consent of the Sellers' Representative (which shall not be unreasonably withheld or delayed), then such settlement, adjustment or compromise shall not be determinative of the amount of Losses incurred by the Purchaser Indemnified Party in connection with such claim or Proceeding (it being understood that if the Purchaser requests that the Sellers' Representative consent to a settlement, adjustment or compromise, the Sellers' Representative shall not unreasonably withhold or delay such consent) and (ii) any amount of such settlement in excess of amounts consented to by the Sellers' Representative shall be deemed Contested Amounts.

(c) The Purchaser shall give the Sellers' Representative, a prompt notice of the commencement of any Third Party Claim against any Purchaser Indemnified Party and provide information reasonably requested by the Sellers' Representative and not subject to attorney-client privilege of the Purchaser or Purchaser's Indemnified Parties relating to such claim. If the Purchaser does not elect to proceed with the defense of any such Proceeding, the Sellers' Representative or the Sellers may proceed with the defense of such claim or Proceeding with counsel reasonably satisfactory to the Purchaser; provided, however, that the Sellers' Representative or the Sellers may not settle, adjust or compromise any such Proceeding without the prior written consent of the Purchaser (which consent, may not be unreasonably withheld or delayed in respect of any settlement for damages only, where such damages, together with the aggregate value of all Claimed Amounts at such time, do not exceed the amount of the Escrow Fund available at such time).

Section 10.05 No Contribution.

No Seller shall have, or be entitled to exercise or assert (or attempt to exercise or assert), any right of contribution, right of indemnity or other right or remedy against the Company or any Company Subsidiary in connection with any indemnification obligation or any other liability to which he may become subject under or in connection with this Agreement.

Section 10.06 Tax Impact.

The parties hereto agree to treat any indemnity payment made pursuant to this Article X or as an adjustment to the Purchase Price for Tax purposes.

Section 10.07 Additional Provisions.

(a) The representations, warranties, covenants and obligations of the Company and the Sellers, and the rights and remedies that may be exercised by the Purchaser Indemnified Parties, shall not be limited or otherwise affected by or as a result of any information furnished to, or any investigation made by or knowledge of, any of the Purchaser Indemnified Parties or any of their Representatives.

(b) The Sellers' liability for Losses shall not be increased to take account of any Tax incurred (grossed up for such increase) by the Purchaser Indemnified Party(ies) arising from the receipt of indemnity hereunder, or proceeds from any other Person, and neither shall the Losses incurred by any Purchaser Indemnified Party take account of or be reduced by any present or future tax benefit or reduction attributable to such Losses, or the matter underlying such Losses.

ARTICLE XI
SELLERS' REPRESENTATIVE

Section 11.01 Appointment of Sellers' Representative; Power and Authority.

(a) By virtue of the execution of this Agreement, each Seller hereby irrevocably agrees, constitutes and appoints the Sellers' Representative, and by the execution of this Agreement, the Sellers' Representative as of the date hereof hereby accepts his/its appointment, as the true, exclusive and lawful agent and attorney-in-fact of each of the Sellers: (i) to act as a Sellers' Representative under this Agreement and to have the right, power and authority to perform all actions (or refrain from taking any actions) the Sellers' Representative shall deem necessary, appropriate or advisable in connection with, or related to, this Agreement and the Transactions, (ii) to act in the name, place and stead of each Seller in connection with the Transactions, in accordance with the terms and provisions of this Agreement, and in any Proceeding involving this Agreement, and (iii) to do or refrain from doing all such further acts and things, and to execute all such documents as the Sellers' Representative shall deem necessary or appropriate in connection with the Transactions (including any Transaction Document). This power of attorney is coupled with an interest and is irrevocable. All actions, decisions and instructions of the Sellers' Representative shall be conclusive and binding upon all of the Sellers. Each of the Sellers acknowledges and agrees that upon execution of this Agreement, upon any delivery by the Sellers' Representative of any waiver, amendment, agreement, opinion, certificate or other document executed by the Sellers' Representative, such Seller shall be bound by such documents as fully as if such Seller had executed and delivered such documents.

(b) Without derogating from the generality of the foregoing, as of the date hereof the Sellers' Representative shall have the right, power and authority to:

(1) act for the Sellers with regard to all matters set forth in this Agreement and the other Transaction Documents;

(2) execute and deliver all amendments, waivers, ancillary agreements, share powers, certificates and documents that the Sellers' Representative deems necessary or appropriate in connection with the consummation of the Transactions;

(3) do or refrain from doing any further act or deed on behalf of the Sellers that the Sellers' Representative deems necessary or appropriate in his/its sole discretion relating to the subject matter of this Agreement and the other Transaction Documents as fully and completely as the Sellers could do if personally present;

(4) deliver and receive all notices or other communications or documents given or to be given to or from the Sellers' Representative by the Purchaser pursuant to this Agreement and the other Transaction Documents;

(5) receive service of process on behalf of any Seller in connection with any claims under this Agreement and the other Transaction Documents;

(6) negotiate, undertake, compromise, settle, consent, defend, object, resolve and settle any suit, Proceeding, claim or dispute under this Agreement and the other Transaction Documents on behalf of the Sellers, including authorize deliveries or set off to the Purchaser Indemnified Parties of payment in satisfaction of claims asserted by the Purchaser Indemnified Parties (including by not objecting to such claims) and comply with Orders with respect thereto;

(7) engage counsel, accountants and other advisors and incur such other expenses in connection with any of the transactions contemplated by this Agreement or the Transaction Documents;

(8) agree to any modification or amendment of, or supplements to, or waiver relating to this Agreement and the other Transaction Documents in accordance with Section 12.02 and execute and deliver an agreement of such modification, amendment, supplement or waiver; and

(9) take all such other actions as the Sellers' Representative may deem necessary, appropriate or advisable to carry out the intents and purposes of this Section 11.01, in each case without having to seek or obtain the consent of any Seller under any circumstance.

(c) Notwithstanding anything herein to the contrary, the Seller Representative shall not be entitled to, and shall not, take any action that would or could (A) cause any Seller's liability hereunder to exceed its respective portion of the Purchase Price due and payable (B) result in the amounts payable hereunder to any Seller being distributed in any manner other than as set forth in this Agreement and the Escrow Agreement, or (C) result in an increase of any Seller's indemnity or other obligations or liabilities under this Agreement (including, for the avoidance of doubt, any change to the nature of the indemnity obligations), without (in each case) such Seller's prior written consent.

(d) The Sellers' Representative shall be replaced as agent as mutually agreed by the Sellers, to the extent each is available to consult on such matters, subject to Purchaser's prior written consent (which consent shall not be unreasonably withheld or delayed), immediately if (a) the then presiding Sellers' Representative is unable to reasonably perform his duties as a Sellers' Representative hereunder, (b) any proceeding, whether voluntary or involuntary, is instituted by or against the then presiding Sellers' Representative seeking to adjudicate it (as applicable) bankrupt or insolvent or dissolved, or seeking liquidation, winding up, arrangement with creditors, protection, or relief of it or its debts under any law or statute of any jurisdiction, or seeking the entry of an Order for relief or the appointment of a temporary or permanent receiver, liquidator, custodian trustee, or other similar official for it or for a material portion of its assets; (c) if the Sellers' Representative is a natural person - upon his death or incapacity; (d) if the Sellers' Representative is an entity - the Sellers' Representative makes an assignment of all or a material portion of its assets; (e) the Sellers' Representative admits its inability to pay its debts generally; (f) if the Sellers' Representative is an entity - the transaction of the business of the Sellers' Representative is suspended, substantially curtailed or ceased for a period longer than 30 days; or (g) if the appointment is terminated or withdrawn in accordance with applicable Laws or Order. Any new or successor Sellers' Representative appointed as aforesaid shall be deemed for all purposes as an agent under this Agreement having the powers and authorities set forth herein.

(e) The Sellers' Representative may resign at any time only upon a thirty (30) days' prior written notice of such decision to resign and the appointment of a successor Sellers' Representative as described above.

(f) No bond shall be required of the Sellers' Representative and the Sellers' Representative shall not receive compensation for service in such capacity.

(g) Any notice or communication given or received by, and any decision, action, failure to act within a designated period of time, agreement, consent, settlement, resolution or instruction of, the Sellers' Representative shall constitute a notice or communication to or by, or a decision, action, failure to act within a designated period of time, agreement, consent, settlement, resolution or instruction of the Sellers and shall be final, binding and conclusive upon the Sellers. The Purchaser, the Purchaser Indemnified Parties, the Company, the Company Subsidiaries, the Escrow Agent, and any other Person may conclusively and absolutely rely, without inquiry, upon any notice, communication, decision, action, failure to act within a designated period of time, agreement, consent, settlement, resolution or instruction of the Sellers' Representative in all matters referred to herein and each of the foregoing is hereby relieved from any liability to any Person for any acts done by the Sellers' Representative and any acts done by the any of the foregoing in accordance with any decision, act, consent or instruction of the Sellers' Representative. The Seller Representative shall not be liable to the Sellers for any act done or omitted hereunder as Seller Representative in the absence of gross negligence or willful misconduct on the part of the Seller Representative.

Section 11.02 Reimbursement

Each Seller shall be responsible for and shall, severally, reimburse the Sellers' Representative upon demand for all such Seller's Pro Rata Portion of any reasonable expenses, disbursements and advances incurred or made by the Sellers' Representative in accordance with any of the provisions of this 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.

Section 11.03 Liability; Indemnification.

Each Seller hereby releases the Sellers' Representative and each Seller agrees, severally, to indemnify, defend and hold harmless the Sellers' Representative, in accordance with such Seller's Pro Rata Portion (including any losses incurred, as such losses are incurred) for, arising out of or in connection with the acceptance or administration of the Sellers' Representative's duties hereunder or any action taken or not taken by him in his capacity as such agent (including the legal costs and expenses of defending the Sellers' 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 Sellers' Representative's duties hereunder, except for the liability of the Sellers' Representative to a Seller for loss which such holder will suffer from a Fraud of the Sellers' Representative in carrying out the Sellers' Representative's duties hereunder. In all questions arising under this Agreement, the Sellers' Representative may rely on the advice of counsel, and the Sellers' Representative will not be liable to a Seller for anything done, omitted or suffered by the Sellers' Representative based on such advice.

ARTICLE XII
MISCELLANEOUS

Section 12.01 Entire Agreement.

This Agreement and the Transaction Documents constitute and represent the entire agreement between the Purchaser and the Sellers with respect to the subject matter of this Agreement and supersede all prior agreements and understandings, both written and oral (with no concession being made as to the existence of any such agreements and understandings), between the Sellers and the Purchaser with respect to the subject matter of this Agreement (including without limitation any prior proposal, term sheet, letter of intent, memorandum of terms or expression of interest).

Section 12.02 Amendments and Waivers.

(a) This Agreement may not be amended, modified, altered or supplemented other than by means of a written instrument duly executed and delivered on behalf of the Purchaser, on the one hand, and the Company or, following the Closing, the Sellers' Representative, on the other hand. Any amendment executed in accordance with the foregoing shall be binding upon all holders of Ownership Interests, and all of the parties and their respective successors and assigns.

(b) No failure on the part of any Person to exercise any power, right, privilege or remedy under this Agreement, and no delay on the part of any Person in exercising any power, right, privilege or remedy under this Agreement, shall operate as a waiver of such power, right, privilege or remedy; and no single or partial exercise of any such power, right, privilege or remedy shall preclude any other or further exercise thereof or of any other power, right, privilege or remedy.

(c) No Person shall be deemed to have waived any claim arising out of this Agreement, or any power, right, privilege or remedy under this Agreement, unless the waiver of such claim, power, right, privilege or remedy is expressly set forth in a written instrument duly executed and delivered on behalf of such Person; and any such waiver shall not be applicable or have any effect except in the specific instance in which it is given.

Section 12.03 Assignment; No Third Party Beneficiaries.

(a) No party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of (in the case of the Sellers or the Company) the Purchaser, or (in case of the Purchaser) the Company or, following the Closing, the Sellers' Representative, except that the Purchaser may transfer or assign its rights and obligations under this Agreement, in whole or from time to time in part, to (i) one or more of its Affiliates at any time, provided that in case of an assignment prior to the Closing, the Purchaser shall remain liable for all of its obligations hereunder, and (ii) after the Closing Date, to an acquirer of all or substantially all the Company or any Company Subsidiary's shares or any line of business or products involving the Company or any Company Subsidiary's lines of business or products (whether by sale, merger, sale of assets or otherwise), assuming the obligations hereunder.

(b) Subject to sub-Section (a) above, the provisions of this Agreement shall be binding upon, inure to the benefit of and be enforceable by, the parties hereto and their respective successors, assigns, heirs, executors, and administrators. This Agreement is not intended to confer any rights, benefits, remedies, obligations or liabilities hereunder upon any Person, other than the parties hereto and their respective successors and assigns.

Section 12.04 Governing Law.

This Agreement, including any question regarding its existence, validity or termination, shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to principles of conflicts of laws that would require the application of the laws of any other jurisdiction.

Section 12.05 Dispute Resolution.

Subject to the arbitration proceedings referred to in Section 2.02(d), any dispute arising out of or in connection with this Agreement, including any question regarding its existence, validity or termination, shall be exclusively referred to and finally resolved by arbitration in Tel Aviv. The arbitration will be before a senior partner in one of the 5 largest law firms in Israel who is experienced in international M&A transactions and has practiced M&A in the United States for at least 2 years (the "Arbitrator Parameters"). The identity of the arbitrator will be agreed by the Purchaser and the Sellers' Representative from among candidates meeting the Arbitrator Parameters, and if they cannot agreed in sixty (60) days from a notice in writing requesting such appointment sent by one party to the other, then , then the arbitrator will be appointed (based on the Arbitrator Parameters) by the President of the Center for Arbitration and Dispute Resolution (CADR) in Tel Aviv. The process for the nomination by the President of the CADR shall be as follows: the President shall submit to both Parties a list of five potential arbitrators, each of whom meets the Arbitrator Parameters and is willing, conflict free, and available to serve as arbitrator. Each Party shall have 10 days to strike two potential arbitrators, and rank the remaining three potential arbitrators from the most desirable (3 points) to the least desirable (1 point). The President shall appoint the potential arbitrator who received the highest point ranking. If more than one arbitrator received the highest point ranking, the President shall appoint the arbitrator with the lower Israeli bar number. The arbitration will be conducted in accordance with the Rules of the CADR in effect at such time.

Section 12.06 **Notices.**

All notices, requests and other communications required or permitted under, or otherwise made in connection with, this Agreement, shall be in writing and shall be deemed to have been duly given (a) when delivered in person, (b) upon electronic confirmation of full receipt when transmitted by facsimile transmission or electronic mail or (if transmitted and received on a non-Business Day or during non-business hours in the place of recipient) on the first Business Day following transmission and electronic confirmation of full receipt, (c) upon receipt after dispatch by registered or certified mail, postage prepaid, confirmation of delivery requested, or (d) on the next Business Day if transmitted by national overnight courier (with confirmation of delivery), in each case, addressed as follows:

if to the Purchaser or to the Company following the Closing Date, to:

Maoz Sigron, CFO
1 Azrieli Center, Building A, 4th Floor
26 HaRokmim Street, Holon, Israel 5885849
Attention: Maoz Sigron, CFO
E-mail: Maozs@perion.com;
with a copy (which shall not constitute notice) to:

Meitar Liquornik Geva Leshem Tal
16 Abba Hillel Silver Rd., Ramat Gan 5250608, Israel
Attention: Ronen Bezalel, Adv.
Jonathan Atha, Adv.
Telephone No.: +972-3-6103850
Facsimile No.: +972-3-6103851
E-mail: rbezalel@meitar.com
jonathanana@meitar.com

if to the Sellers' Representative and to any Seller, to:

Content IQ LLC
WeWork 135 Madison Ave Floor 12, New York, NY 10016
Attention: Asaf Katzir
E-mail: asaf@contentiq.com

with a copy (which shall not constitute notice) to:

Meitar NY Inc.
149 5th Ave 9th Floor, New York, NY 10010
Attention: Tomer Shani, Adv.
Telephone: +1-917-864-4350
E-mail: tomerny@meitar.com

or to such other address or facsimile number as such party may hereafter specify for the purpose by notice to the other parties hereto in accordance with this Section 12.06.

Section 12.07 Waiver of Jury Trial.

EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY SUIT, ACTION OR OTHER PROCEEDING, DIRECTLY OR INDIRECTLY, ARISING OUT OF, UNDER OR RELATING TO THIS AGREEMENT, ITS NEGOTIATION OR THE TRANSACTION. EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH PARTY WOULD NOT, IN THE EVENT OF ANY ACTION, SUIT OR PROCEEDING, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT, BY, AMONG OTHER THINGS, THE MUTUAL WAIVER AND CERTIFICATIONS IN THIS SECTION 12.07.

Section 12.08 Severability.

If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other Governmental Authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated so long as the economic or legal substance of the Transactions is not affected in any manner materially adverse to any party. Upon such a determination, the parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the Transactions be consummated as originally contemplated to the fullest extent possible.

Section 12.09 Remedies.

All rights and remedies of any party hereto are cumulative of each other and of every other right or remedy such party may otherwise have at law or in equity, and the exercise of one or more rights or remedies shall not prejudice or impair the concurrent or subsequent exercise of other rights or remedies.

Section 12.10 Specific Performance.

It is agreed that irreparable damage would occur if any provision of this Agreement were not performed in accordance with the terms hereof and that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement or to enforce specifically the performance of the terms and provisions of this Agreement in addition to any other remedy to which they are entitled at law or in equity, in each case without the requirement of posting any bond or other type of security.

Section 12.11 Set-off.

Subject to the limitations set forth in Article X, the Purchaser Indemnified Parties shall be entitled to offset from any payment due and payable to any Seller (including Additional Payments and/or Earnout Payments) under this Agreement, or otherwise in accordance with any Transaction Document, the following amounts (i) the amount of Losses that are indemnifiable from any Seller under this Agreement or any Transaction Document, and (ii) the aggregate of all Claimed Amounts existing at the time of such payment, provided that if all or any portion of a Claimed Amount is a Contested Amount, then to the extent that such Contested Amount remains a Contested Amount (i.e. it has not become an Agreed Amount or a Stipulated Amount, and has not otherwise been determined to be payable to a Purchaser Indemnified Party pursuant to Section 12.05), on the date that is five (5) months following any such set-off and no claim pursuant to Section 12.05 below has been commenced by a Purchaser Indemnified Party, the Purchaser shall deposit such Contested Amount with the Escrow Agent pending final determination with respect to such Contested Amount (the "Final Amount"). Following determination on the Final Amount, the Purchaser and the Sellers' Representative shall jointly instruct the Escrow Agent to transfer the applicable portion thereof required to cover the Final Amount to the Purchaser, with the remaining amount to be released to the Sellers in accordance with their Pro Rata Portions.

Section 12.12 **Expenses.**

Whether or not the Closing occurs, and except as specifically and expressly provided otherwise in this Agreement, all costs and expenses incurred in connection with the negotiation, execution and performance of this Agreement and each other Transaction Document and the consummation of the transactions contemplated hereby and thereby, including all third-party legal, accounting, financial advisory, consulting or other fees and expenses incurred in connection with the Transactions, shall be paid by the party incurring such cost or expense. This Section 12.12 shall survive the consummation, termination or expiration of this Agreement, the Closing and the transactions contemplated hereby.

Section 12.13 **Interpretation.**

Each of the parties acknowledges that it had assessed the risk, uncertainties and benefits of the transactions contemplated by this Agreement and each Transaction Document to which it is a party, and that it was represented by legal counsel in the negotiation, execution and delivery of the Transaction Documents.

Section 12.14 **Conflict of Interest.**

Each party to this Agreement acknowledges that (i) Meitar Liquornik Geva Leshem Tal, Law Offices ("Meitar") is representing the Purchaser in connection with this Agreement, (ii) Meitar NY, Inc., an affiliate of Meitar ("Meitar NY") is representing the Company and the Sellers in connection with this Agreement, (iii) Meitar is an affiliate of Meitar NY, and that (iv) Meitar has in the past performed and may continue to perform legal services for the Purchaser and certain of its Affiliates in matters unrelated to the transactions described in this Agreement. Accordingly, each party to this Agreement hereby (a) acknowledges that it has had an opportunity to ask for information relevant to this disclosure; and (b) gives its informed consent to Meitar's representation of the Purchaser in connection with this Agreement and the Transaction, and to Meitar NY's representation of the Company and the Sellers in connection with this Agreement and the Transaction. In case of any arbitration or court proceedings between the parties following the Closing, both Meitar and Meitar NY may each assist and consult any chosen litigator hired by the their respective relevant party (Sellers or Purchaser) in any such dispute; and each party gives its informed consent to such consultations.

Section 12.15 **Counterparts; Effectiveness.**

This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. The exchange of a fully executed Agreement (in counterparts or otherwise), including by electronic transmission (in PDF format or the like), signature by electronic means (such as DocuSign, Esign or the like) or by facsimile transmission shall be binding as an original.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this **MEMBERSHIP INTEREST PURCHASE AGREEMENT** as of the date first written above.

CONTENT IQ LLC

By: /s/ Asaf Katzir
Name: Asaf Katzir
Title: Co-CEO

IN WITNESS WHEREOF, the parties hereto have executed this **MEMBERSHIP INTEREST PURCHASE AGREEMENT** as of the date first written above.

PERION NETWORK LTD.

By: /s/ Maoz Sigron
Name: Maoz Sigron
Title: Chief Financial Officer

IN WITNESS WHEREOF, the parties hereto have executed this **MEMBERSHIP INTEREST PURCHASE AGREEMENT** as of the date first written above.

ASAF KATZIR, as SELLERS' REPRESENTATIVE

By: /s/ Asaf Katzir
Name: Asaf Katzir
Title: Co-CEO

IN WITNESS WHEREOF, the parties hereto have executed this **MEMBERSHIP INTEREST PURCHASE AGREEMENT** as of the date first written above.

/s/ Asaf Katzir
ASAF KATZIR

/s/ Ziv Yirmiyahu
ZIV YIRMIYAHU

EXHIBIT B

ADDITIONAL PAYMENTS AND EARNOUT PAYMENTS

Part 1

1. **<u>Additional Payment - Additional Condition Only.</u>**

(a) *Asaf*. Subject to Asaf satisfying the Additional Condition at all times from the date hereof and until the expiration of such period, an Additional Payment of US$1,080,000 (less, in each case, the applicable Additional Escrow Amount) shall be payable to Asaf on the expiration of each of (i) the 12 month period following the Closing, and (ii) the 24 month period following the Closing.

(b) *Ziv*. Subject to Ziv satisfying the Additional Condition at all times from the date hereof and until the expiration of such period, an Additional Payment of US$920,000 (less, in each case, the applicable Additional Escrow Amount) shall be payable to Ziv on the expiration of each of (i) the 12 month period following the Closing and (ii) the 24 month period following the Closing.

2. **<u>Additional Payment – Tech KPI</u>.**

(a) *2020 Earnout Period.*

(i) Subject to Asaf satisfying the Additional Condition at all times from the date hereof and until the expiration of such period, an Additional Payment, in an amount equal to the product of $810,000 multiplied by the 2020 Tech KPI Percentage (*less* the applicable Additional Escrow Amount), shall be payable to Asaf on the KPI Determination Date with respect to the 2020 Earnout Period; and

(ii) Subject to Ziv satisfying the Additional Condition at all times from the date hereof and until the expiration of such period, an Additional Payment, in an amount equal to the product of $690,000 multiplied by the 2020 Tech KPI Percentage (*less* the applicable Additional Escrow Amount), shall be payable to Ziv on the KPI Determination Date with respect to the 2020 Earnout Period.

(b) *2021 Earnout Period.*

(i) Subject to Asaf satisfying the Additional Condition at all times from the date hereof and until the expiration of such period, an Additional Payment, in an amount equal to the product of $810,000 multiplied by the 2021 Tech KPI Percentage (*less* the applicable Additional Escrow Amount), shall be payable to Asaf on the KPI Determination Date with respect to the 2021 Earnout Period; and

(ii) Subject to Ziv satisfying the Additional Condition at all times from the date hereof and until the expiration of such period, an Additional Payment, in an amount equal to the product of $690,000 multiplied by the 2021 Tech KPI Percentage (*less* the applicable Additional Escrow Amount), shall be payable to Ziv on the KPI Determination Date with respect to the 2021 Earnout Period.

(c) *Provisions Relating to the Additional Payment – Tech KPI.*

(i) Solely for the purposes of this Paragraph 2 (*Additional Payment – Tech KPI*), Asaf or Ziv, as applicable, shall be deemed to have satisfied the Additional Condition in the event of their death provided that such Seller had satisfied the Additional Condition immediately prior to his death (or the circumstances leading to his death).

(ii) The following terms as used in this Paragraph 2 (*Additional Payment – Tech KPI*) shall have the following meanings:

"2020 Tech KPI Achieved Item" is an item of "KPI" identified in the table in Part 5A of this Exhibit B that has been achieved during the 2020 Earnout Period, pursuant to the 'Success Criteria' associated with such item (the "2020 KPI Target"), as determined in good faith by Parent. In the case of an item of "KPI" identified in such table as "Y/N," such determination shall be made on an "all-or-nothing" basis. In the case of an item of "KPI" identified in such table as "≥70%", the item shall be treated as having been achieved if Parent concludes in such determination that at least 70% of the 2020 KPI Target has been satisfied.

"2020 Tech KPI Aggregate Achievement" means the sum, expressed as a percentage, of the "Weight" assigned in the table in Part 5A of this Exhibit B to each 2020 Tech KPI Achieved Item; provided that (i) if any item of KPI marked with an "X" in the "Must" column of such table is not a 2020 Tech KPI Achieved Item, then the amount of the "weight" assigned to such item, *multiplied* by two (2), shall be reduced from the sum, and (ii) if Parent has determined in good faith that the 2020 KPI Target with respect to any item of KPI identified on such table as "≥70%" has been satisfied only in part, the "weight" of such item shall be multiplied by the percentage determined by Parent to have been completed (being between 70%-100%), and then added to such sum (in lieu of the full "weight" assigned to such item on the table).

"2020 Tech KPI Percentage" means the 2020 Tech KPI Aggregate Achievement *multiplied* by two (2); provided that if the 2020 Tech KPI Aggregate Achievement is greater than 50%, the 2020 Tech KPI Percentage shall be 100% and the excess of the 2020 Tech KPI Aggregate Achievement over 50% shall be the "2020 Tech KPI Carryover."

"2021 Tech KPI Achieved Item" is an item of "KPI" identified in the table in Part 5B of this Exhibit B that has been achieved during the 2021 Earnout Period, pursuant to the 'Success Criteria' associated with such item (the "2021 KPI Target"), as determined in good faith by Parent. In the case of an item of "KPI" identified in such table as "Y/N," such determination shall be made on an "all-or-nothing" basis. In the case of an item of "KPI" identified in such table as "≥70%", the item shall be treated as having been achieved if the Parent concludes in such determination that at least 70% of the 2021 KPI Target has been satisfied.

"2021 Tech KPI Aggregate Achievement" means the sum, expressed as a percentage, of the "Weight" assigned in the table in Part 5B of this Exhibit B to each 2021 Tech KPI Achieved Item; provided that (i) if any item of KPI marked with an "X" in the "Must" column of such table is not a 2021 Tech KPI Achieved Item, then the amount of the "weight" assigned to such item, *multiplied* by two (2), shall be reduced from the sum, and (ii) if Parent has determined in good faith that the 2021 KPI Target with respect to any item of KPI identified on such table as "≥70%" has been satisfied only in part, the "weight" of such item shall be multiplied by the percentage determined by Parent to have been completed (being between 70%-100%), and then added to such sum (in lieu of the full "weight" assigned to such item on the table).

"2021 Tech KPI Percentage" means the 2021 Tech KPI Aggregate Achievement plus the 2020 Tech KPI Carryover, with such sum *multiplied* by two (2).

(iii) It is hereby clarified that the Tech KPIs are intended to relate to the development of the Company's technology, Information Systems, and Intellectual Property relating to the Business as currently conducted and to the extent that a KPI relates to a supplier of traffic to the Company, as it relates to the Major Suppliers. For the avoidance of doubt, it will not apply to future products, activities or plans.

3. **Additional Payment – EBITDA Condition**.

(a) *Asaf*. Subject to Asaf satisfying the Additional Condition at all times from the date hereof and until the expiration of such period, an Additional Payment of US$2,160,000 shall be payable to Asaf on the expiration of the 24 month period following the Closing provided that the aggregate amount of (i) Earnout EBIDTA for the 2020 Earnout Period and (ii) Earnout EBIDTA for the 2021 Earnout Period, was at least 70% of the aggregate of (x) the Earnout EBIDTA Basic 2020 Target, and (y) the Earnout EBIDTA Basic 2021 Target (such terms as defined in Part 2 of this Exhibit B).

(b) *Ziv*. Subject to Asaf satisfying the Additional Condition at all times from the date hereof and until the expiration of such period, an Additional Payment of US$1,840,000 shall be payable to Ziv on the expiration of the 24 month period following the Closing provided that the aggregate amount of (i) the Earnout EBIDTA for the 2020 Earnout Period, and (ii) the Earnout EBIDTA for the 2021 Earnout Period, was at least 70% of the aggregate of (x) the Earnout EBIDTA Basic 2020 Target, and (y) the Earnout EBIDTA Basic 2021 Target (such terms as defined in Part 2 of this Exhibit B).

Part 2

Earnout Provisions

1. **Milestones and Thresholds**

(a) 2020 Milestone. The "2020 Milestone" shall be considered achieved, and Earnout Payments relating to the 2020 Earnout Period shall only be payable if both of the following conditions are satisfied:

(i) the amount of Organic Revenues for the 2020 Earnout Period are at least 70% of the Earnout Revenues Basic 2020 Target; and

(ii) the amount of Organic EBITDA for the 2020 Earnout Period is at least 70% of the Earnout EBIDTA Basic 2020 Target.

(b) 2021 Milestone. The "2021 Milestone" shall be considered achieved, and Earnout Payments relating to the 2021 Earnout Period shall only be payable if both of the following conditions are satisfied:

(i) the amount of Organic Revenues for the 2021 Earnout Period are at least 70% of the Earnout Revenues Basic 2021 Target; and

(ii) the amount of Organic EBITDA for the 2021 Earnout Period is at least 70% of the Earnout EBIDTA Basic 2021 Target.

(c) 2020 Over Achievement Milestone. The "2020 Over Achievement Milestone" shall be considered achieved, and Over Achievement Earnout Payments relating to the 2020 Earnout Period shall only be payable if both of the following conditions are satisfied:

(i) the amount of Over Achievement Earnout Revenues for the 2020 Earnout Period are at least 100% of the Earnout Revenues Basic 2020 Target; and

(ii) the amount of Earnout EBITDA for the 2020 Earnout Period is at least 100% of the Earnout EBIDTA Basic 2020 Target.

(d) 2021 Over Achievement Milestone. The "2021 Over Achievement Milestone" shall be considered achieved, and Over Achievement Earnout Payments relating to the 2021 Earnout Period shall only be payable if both of the following conditions are satisfied:

(i) the amount of Over Achievement Earnout Revenues for the 2021 Earnout Period are at least 100% of the Earnout Revenues Basic 2021 Target; and

(ii) the amount of Earnout EBITDA for the 2021 Earnout Period is at least 100% of the Earnout EBIDTA Basic 2021 Target.

2. **Earnout Payments for the 2020 Earnout Period**

If the 2020 Milestone is achieved, Earnout Payments shall be payable to the Sellers in respect of the 2020 Earnout Period in accordance with one or more of the following provisions, as applicable:

(a) 2020 Basic Revenues Payment.

(iii) If Earnout Revenues for the 2020 Earnout Period are at least the Earnout Revenues Basic 2020 Target, then an Earnout Payment of US$6,181,000 shall be payable to the Sellers.

(iv) If Earnout Revenues for the 2020 Earnout Period are less than the Earnout Revenues Basic 2020 Target, but at least 70% of the Earnout Revenues Basic 2020 Target, then an Earnout Payment shall be payable to the Sellers in an amount that is the product of US$6,181,000, *multiplied by* a fraction, the numerator of such fraction being Earnout Revenues for the 2020 Earnout Period, and the denominator of such fraction being the Earnout Revenues Basic 2020 Target.

(b) <u>2020 Over Achievement Revenues Payment</u>. Subject to the satisfaction of the 2020 Over Achievement Milestone:

(i) If the Over Achievement Earnout Revenues for the 2020 Earnout Period are at least the Earnout Revenues Over Achievement 2020 Target, then an Earnout Payment of US$6,081,000 shall be payable to the Sellers.

(ii) If the Over Achievement Earnout Revenues for the 2020 Earnout Period are less than the Earnout Revenues Over Achievement 2020 Target, but at least the Earnout Revenues Basic 2020 Target, then an Earnout Payment shall be payable to the Sellers in an amount that is the product of US$6,081,000 *multiplied by* a fraction, the numerator of such fraction being the difference between Over Achievement Earnout Revenues for the 2020 Earnout Period and the Earnout Revenues Basic 2020 Target, and the denominator of such fraction being the difference between the Earnout Revenues Over Achievement 2020 Target and the Earnout Revenues Basic 2020 Target.

(c) <u>2020 Basic EBIDTA Payment</u>.

(i) If Earnout EBIDTA for the 2020 Earnout Period is at least the Earnout EBIDTA Basic 2020 Target, then an Earnout Payment of US$6,181,000 shall be payable to the Sellers.

(ii) If Earnout EBIDTA for the 2020 Earnout Period is less than the Earnout EBIDTA Basic 2020 Target, but at least 70% of the Earnout EBIDTA Basic 2020 Target, then an Earnout Payment shall be payable to the Sellers in an amount that is the product of US$6,181,000 *multiplied* by a fraction, the numerator of such fraction being Earnout EBIDTA for the 2020 Earnout Period and the denominator of such fraction being the Earnout EBIDTA Basic 2020 Target.

(d) <u>2020 Over Achievement EBIDTA Payment</u>. Subject to the satisfaction of the 2020 Over Achievement Milestone:

(i) If the Earnout EBIDTA for the 2020 Earnout Period is at least the Earnout EBIDTA Over Achievement 2020 Target, then an Earnout Payment of US$6,081,000 shall be payable to the Sellers.

(ii) If the Earnout EBIDTA for the 2020 Earnout Period is less than the Earnout EBIDTA Over Achievement 2020 Target but at least the Earnout EBIDTA Basic 2020 Target, then an Earnout Payment shall be payable to the Sellers in an amount that is the product of US$6,081,000 *multiplie*d by a fraction, the numerator of such fraction being the difference between Earnout EBIDTA for the 2020 Earnout Period and the Earnout EBIDTA Basic 2020 Target, and the denominator of such fraction being the difference between the Earnout EBIDTA Over Achievement 2020 Target and the Earnout EBIDTA Basic 2020 Target.

3. **Earnout Payments for the 2021 Earnout Period**

Regardless of any Earnout Payment payable with respect to the 2020 Earnout Period, if the 2021 Milestone is achieved, Earnout Payments shall be payable to the Sellers in respect of the 2021 Earnout Period in accordance with one or more of the following provisions, as applicable:

(a) 2021 Basic Revenues Payment.

(i) If Earnout Revenues for the 2021 Earnout Period are at least the Earnout Revenues Basic 2021 Target, then an Earnout Payment of US$5,681,000 shall be payable to the Sellers.

(ii) If Earnout Revenues for the 2021 Earnout Period are less than the Earnout Revenues Basic 2021 Target, but at least 70% of the Earnout Revenues Basic 2021 Target, then an Earnout Payment shall be payable to the Sellers in an amount that is the product of US$5,681,000 *multiplied* by a fraction, the numerator of such fraction being Earnout Revenues for the 2021 Earnout Period and the denominator of such fraction being the Earnout Revenues Basic 2021 Target.

(b) 2021 Over Achievement Revenues Payment. Subject to the satisfaction of the 2021 Over Achievement Milestone:

(i) If the Over Achievement Earnout Revenues for the 2021 Earnout Period are at least the Earnout Revenues Over Achievement 2021 Target, then an Earnout Payment of US$5,581,000 shall be payable to the Sellers.

(ii) If the Over Achievement Earnout Revenues for the 2021 Earnout Period are less than the Earnout Revenues Over Achievement 2021 Target, but at least the Earnout Revenues Basic 2021 Target, then an Earnout Payment shall be payable to the Sellers in an amount that is the product of US$5,581,000 *multiplied* by a fraction, the numerator of such fraction being the difference between the Over Achievement Earnout Revenues for the 2021 Earnout Period and the Earnout Revenues Basic 2021 Target, and the denominator of such fraction being the difference between the Earnout Revenues Over Achievement 2021 Target and the Earnout Revenues Basic 2021 Target.

(c) Basic EBIDTA Payment.

(i) If Earnout EBIDTA for the 2021 Earnout Period is at least the Earnout EBIDTA Basic 2021 Target, then an Earnout Payment of US$5,681,000 shall be payable to the Sellers.

(ii) If Earnout EBIDTA for the 2021 Earnout Period is less than the Earnout EBIDTA Basic 2021 Target, but at least 70% of the Earnout EBIDTA Basic 2021 Target, then an Earnout Payment shall be payable to the Sellers in an amount that is the product of US$5,681,000 *multiplied* by a fraction, the numerator of such fraction being Earnout EBIDTA for the 2021 Earnout Period and the denominator of such fraction being the Earnout EBIDTA Basic 2021 Target.

(d) Over Achievement EBIDTA Payment. Subject to the satisfaction of the 2021 Over Achievement Milestone:

(i) If the Earnout EBIDTA for the 2021 Earnout Period is at least the Earnout EBIDTA Over Achievement 2021 Target, then an Earnout Payment of US$5,581,000 shall be payable to the Sellers.

(ii) If the Earnout EBIDTA for the 2021 Earnout Period is less than the Earnout EBIDTA Over Achievement 2021 Target, but at least the Earnout EBIDTA Basic 2021 Target, then an Earnout Payment shall be payable to the Sellers in an amount that is the product of US$5,581,000 *multiplied* by a fraction, the numerator of such fraction being the difference between Earnout EBIDTA for the 2021 Earnout Period and the Earnout EBIDTA Basic 2021 Target, and the denominator of such fraction being the difference between the Earnout EBIDTA Over Achievement 2021 Target and the Earnout EBIDTA Basic 2021 Target.

(e) **Maximum Earnout Payments**. Notwithstanding any other provision of this Agreement (i) the Earnout Payments payable with respect to the 2020 Earnout Period shall not exceed US$24,525,000, (ii) the Earnout Payment payable with respect to the 2021 Earnout Period shall not exceed US$22,525,000, and (iii) the Earnout Payments payable hereunder shall not in any event exceed US$47,050,000.

4. **Definitions and Basis of Determination of Revenue and EBIDTA**

(1) Definitions.

"2020 Earnout Period" means the period from Closing until (and including) December 31, 2020.

"2021 Earnout Period" means the period from January 1, 2021 until (and including) December 31, 2021.

"Capped Organic Revenues" means, in respect of an Earnout Period, an amount of Earnout Revenues equal to (i) the Organic EBITDA for such Earnout Period, *divided by* (ii) eleven percent (11%).

"Earnout EBITDA" shall mean the sum of the Organic EBITDA and the Future Synergy EBITDA.

"Earnout EBIDTA Basic 2020 Target" means Earnout EBITDA of US$6,500,000.

"Earnout EBITDA Basic 2021 Target" means Earnout EBITDA of US$7,095,000.

"Earnout EBITDA Over Achievement 2020 Target" means Earnout EBITDA of US$8,250,000.

"Earnout EBITDA Over Achievement 2021 Target" means Earnout EBITDA of US$9,240,000.

"Earnout Period" means the 2020 Earnout Period or 2021 Earnout Period, as applicable.

"Earnout Revenues" means the sum of the Organic Revenues, the Future Synergy Revenues and the Publisher Revenues.

"Earnout Revenues Basic 2020 Target" means Earnout Revenues of US$57,900,000.

"Earnout Revenues Basic 2021 Target" means Earnout Revenues of US$64,500,000.

"Earnout Revenues Over Achievement 2020 Target" means Earnout Revenues of US$74,000,000.

"Earnout Revenues Over Achievement 2021 Target" means Earnout Revenues of US$84,000,000.

"Excluded Revenues" means, in respect of any Earnout Period, the portion of the Organic Revenues that exceeds the Capped Organic Revenues, if any.

"Future Synergy EBITDA" means (i) the incremental earnings before interest, tax, depreciation and amortization generated by the Purchaser and its Affiliates (other than the Company and the Company Subsidiaries) from any Future Synergy Activity, *multiplied by* (ii) the Allocated Proportion.

"Future Synergy Revenues" means (i) the incremental revenues generated and recognized by the Purchaser and its Affiliates (other than the Company and the Company Subsidiaries) from any Future Synergy Activity, *multiplied by* (ii) the Allocated Proportion.

"Non-Owned Publisher" means a Publisher that is not (and is not owned or controlled by) the Purchaser or its Affiliates (including the Company and the Company Subsidiaries).

"Organic EBITDA" means the earnings before interest, tax, depreciation and amortization generated by the Company and the Company Subsidiaries in the applicable Earnout Period, including costs and expenses incurred by Purchaser or its Affiliates (other than the Company and the Company Subsidiaries) which are: (i) of the Company and the Company Subsidiaries (even if situated technically in a separate holding within the Purchaser's group of companies) and directly related thereto, and (ii) indirectly related to the Company in accordance with the Service Principles, but excluding the cost of the 'Bonus' (as defined in Gil's Key Person Agreement).

"Organic Revenues" means revenues generated and recognized by the Company in the applicable Earnout Period.

"Over Achievement Payments" means those Earnout Payments referred to in Paragraphs 2(b) (*2020 Over Achievement Revenues Payment*), 2(d) (*2020 Over Achievement EBITDA Payment*), 3(b) (*2021 Over Achievement Revenues Payment*), and 3(d) (*2021 Over Achievement EBITDA Payment*) of this Exhibit B.

"Over Achievement Earnout Revenues" means the Earnout Revenues, *minus* the Excluded Revenues.

"Publisher" means a Person that owns or operates a website with unique content developed or licensed by that Person, and which publishes advertisements on such website.

"Publisher Revenues" means the revenues generated and recognized from the utilization of the Company Owned Intellectual Property by the Purchaser and its Affiliates (other than the Company and the Company Subsidiaries) in combination either with or without the allocation by the Company and the Company Subsidiaries of resources following the Closing to the development of the future service offerings set forth in the table at Part 3 of this Exhibit B and the future product offerings set forth in the table at Part 4 of this Exhibit B.

(2) Determination of Future Synergy Revenue and Future Synergy EBITDA.

(i) If, during the 2020 Earnout Period or the 2021 Earnout Period, the Purchaser or its Affiliates (other than the Company and the Company Subsidiaries) utilize any Company Owned Intellectual Property in generating new business or revenue (other than in a *non-material* manner) and such utilization is not one of the activities identified in the tables set forth in Part 3 or Part 4 of this Exhibit B, (such utilization being a "Future Synergy Activity"), then such utilization shall require the approval in writing by the Chief Executive Officer or Chief Financial Officer of the Parent.

(ii) Following the approval referred to in sub-Paragraph (i) above, the Purchaser and the Seller Representative shall discuss in good faith (for a period not to exceed 30 days, or such other period as the Purchaser and the Seller Representative may agree) the appropriate proportion, expressed as a percentage (the "Allocated Proportion"), of: (1) the revenue recognized by the Purchaser and its Affiliates (other than the Company and the Company Subsidiaries) in respect of such Future Synergy Activity, which should be attributed to the Company, and (2) the earnings before interest, tax, depreciation and amortization generated by the Purchaser and its Affiliates (other than the Company and the Company Subsidiaries) in respect of such Future Synergy Activity, which should be attributed to the Company, with such attribution in each case intended to reflect transfer pricing principles applicable to the intra-group licensing of the technology underlying the Company Services by the Company. In the absence of agreement in the period referred herein, the Allocated Proportion of any such approved Future Synergy Activity shall be fifty percent (50%).

(3) All amounts of Earnout Revenues or any other revenues under this Exhibit and Earnout EBITDA or any other EBITDA under this Exhibit, shall be determined on the basis of the Purchaser's and its Affiliates' audited consolidated financial statements for the relevant Earnout Period in accordance with GAAP as consistently applied by Purchaser's Accounting Principles, but (i) excluding for the purposes of Earnout Revenue, any account receivable for which provision is made in accordance with the Purchaser's Accounting Principles, and (ii) shall be calculated net of any 'claw-back' (i.e., the repayment of any amounts from the Company, Purchaser or its Affiliates to any third party revenue partner) or other amounts that are otherwise actually repaid to a counterparty (including by way of set off against future payments to the Company, a Company Subsidiary, Purchaser or its other Affiliates), whether or not such claw-back is notified or effected during the relevant Earnout Period or otherwise.

(4) The inclusion of Future Synergy, Future Synergy EBITDA, Publisher Revenues within the scope of Earnout Revenues and Earnout EBITDA (as applicable) are intended to (i) be allocated in part due to the allocation of resources by the Company and the Company Subsidiaries following the Closing to the development of the applicable activities and (ii) provide for the attribution of the incremental value created for the Purchaser and its Affiliates by the Company and the Company Subsidiaries, and accordingly shall not include any revenue or earnings earned or recognized due to the conduct of the Purchaser's and its Affiliates' businesses as currently conducted.

(5) Following the Closing, the Sellers' Representative and the Purchaser shall consider whether any services allocated to the Company in accordance with the Service Principles are not, in fact, required or utilized (or anticipated to be required or utilized during any Earnout Period) by the Company or the Company Subsidiaries. If the Sellers' Representative and the Purchaser mutually agree that any such services are not, in fact, required or utilized (or anticipated to be required or utilized during any Earnout Period) by the Company or the Company Subsidiaries), the Service Principles shall be revised, by agreement of the Sellers' Representative and the Purchaser accordingly.

Part 3

Publisher Revenues Services

[****]

Part 4

Publisher Revenues Products

[****]

Part 5

KPIs

[****]

EXHIBIT K

THE SERVICE PRINCIPLES

[****]

EXHIBIT O

THE KEY COUNTERPARTIES

[****]

Exhibit 4.8

Summary of Lease Agreement

Note: this summary does not contain a full or direct translation of the terms of the original Hebrew-language lease agreement, and is designated solely for the purpose of providing a general presentation of such agreement.

On January 28, 2014, Kanit HaShalom Investments Ltd. (the "**Lessor**") and Perion Network Ltd. (the "**Company**") entered into a lease agreement, as amended on October 7, 2015 and December 26, 2019 (the "**Lease Agreement**").

1. Leased Premises

Office spaces of approximately 9,426 square meters, of which 6,551 square meters are subleased (the premises are referred to collectively as the "**Premises**"), in a building located at 1 Azrieli Center, Building A, 26 HaRokmim Street, Holon, 5885849, Israel.

2. Purpose of the Lease

The Premises are to be used by the Company for its on-going business activities.

3. Leasing Period

The Premises are currently leased until January 31, 2025, with an option for the Company to extend the lease period for two additional two-year periods, at its sole discretion and upon 180-day prior written notice.

4. Leasehold Improvements

The Lessor shall participate in the cost of leasehold improvements at a sum of up to NIS 18,852,000, as reimbursement for costs incurred by the Company in performing such improvements. Reimbursement by the Lessor shall be paid upon receipt of tax invoices from the applicable contractors, evidencing the work performed. Improvements are subject to prior approval by the Lessor.

5. Consideration

The monthly lease fee for the period commencing on January 1, 2020 and ending on December 31, 2020 shall be NIS 64.6 per square meter multiplied by the Premises space (excluding of VAT), per month, linked to the Israeli consumer price index.

The monthly lease fee for the period commencing of January 1, 2021 and ending on December 31, 2021 shall be NIS 65.2 per square meter multiplied by Premises space (excluding of VAT), per month, linked to the Israeli consumer price index.

The monthly lease fee for the period commencing on January 1, 2022 and ending on January 31, 2025 shall be NIS 66.1 per square meter multiplied by Premises space (excluding VAT), per month, linked to the Israeli consumer price index.

6. Guarantees

The Company shall provide the Lessor with an autonomous bank guarantee in the amount of NIS 3,768,879 linked to the Israeli consumer price index. Such an amount is equivalent to approximately four monthly lease and management fees.

7. Insurance

The Company shall maintain customary insurances. Structure, third party and employers liability insurances shall be purchased by the Lessor.

EXHIBIT 8

List of Subsidiaries

1. IncrediMail Inc., a Delaware corporation

2. ClientConnect Ltd., an Israeli company

3. Interactive Holding Corp., a Delaware corporation

4. IncrediTone Inc., a Delaware corporation

5. Content IQ LLC, a New York limited liability company

6. Septa Communications LLC, an Ukrainian limited liability company

Exhibit 12.1

CERTIFICATIONS

I, Doron Gerstel, certify that:

1. I have reviewed this annual report on Form 20-F of Perion Network Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: March 16, 2020

/s/ Doron Gerstel
Doron Gerstel
Chief Executive Officer

Exhibit 12.2

CERTIFICATIONS

I, Maoz Sigron, certify that:

1. I have reviewed this annual report on Form 20-F of Perion Network Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: March 16, 2020

/s/ Maoz Sigron
Maoz Sigron
Chief Financial Officer

Exhibit 13.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 20-F of Perion Network Ltd., (the "Issuer"), for the period ended December 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Doron Gerstel Chief Executive Officer of the Issuer, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report containing the financial statements fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Issuer.

Date: March 16, 2020

By: /s/ Doron Gerstel
Doron Gerstel
Chief Executive Officer

Exhibit 13.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 20-F of Perion Network Ltd., (the "Issuer"), for the period ended December 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Maoz Sigron, Chief Financial Officer of the Issuer, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report containing the financial statements fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Issuer.

Date: March 16, 2020

By: /s/ Maoz Sigron
Maoz Sigron
Chief Financial Officer

Exhibit 15.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements on Form S-8 (Registration Nos. 333-208278, 333-203641, 333-193145, 333-192376, 333-188714, 333-171781, 333-152010, 333-133968 and 333-216494), of our reports dated March 16, 2020, with respect to the consolidated financial statements of Perion Network Ltd. and its subsidiaries, which included in this Annual Report on Form 20-F of the Company for the year ended December 31, 2019.

/s/ KOST FORER GABBAY & KASIERER

Tel Aviv, Israel
March 16, 2020

KOST FORER GABBAY & KASIERER
A member of Ernst & Young Global