

Yoav Kfir, CPA –Liquidator of
Backweb Technologies, Ltd. (in voluntary liquidation)
At Var Management

Report by the liquidator of Backweb Technologies, Ltd. (in voluntary liquidation) to the annual shareholders meeting, March 8, 2017

To: Shareholders of Backweb Technologies, Ltd. (in voluntary liquidation)
(hereinafter: “**the Company**”)

This report is presented to the general meeting of the Company’s shareholders under Article 337(b) of the Companies Ordinance (New Version), 5743-1983 (hereinafter: “**the Ordinance**”), according to which if the liquidation continues for more than one year the liquidator shall convene a general meeting at the end of the first year from the start of the liquidation, and at the end of every year thereafter, and shall present to the meeting a report on its activities and business and the liquidation process during the preceding year.

Background

The Company entered into voluntary liquidation on March 6, 2014, and the undersigned was appointed as liquidator for the purpose of dissolving the Company and dissolving the subsidiary company in the United States.

The Company ceased its activity in 2011 and up until 2013 it continued with a legal proceeding against the illegal use of the Company’s patents.

The Company is a public company that was previously traded on the NASDAQ Stock Market. Trading ceased on November 7, 2014.

Below is information regarding the Company and the activities carried out since the last meeting:

1. Financial status

- 1.1 The Company’s cash flow statement is attached hereto as **Appendix A**.
- 1.2 The Company filed financial statements and a tax adjustment statement with the tax authorities up to and including 2014.

- 1.3 The Company underwent an assessment audit by the Income Tax Authority for 2011-2014.

As part of contacts with the Income Tax Authority conducted by the office of the Company's accountant and the liquidator's office, an assessment agreement was drawn up, whereby Company losses were offset and cleared, and losses totaling 1 million were carried over to 2015.

The Company's liquidator signed the agreement in light of its approval by the accountant since there is no additional tax liability in respect of those years. The agreement signed is attached hereto as **Appendix B**, and the letter of approval from the Company's accountant is attached as **Appendix C**.

- 1.4 The Company's liquidator continues to be in contact with the tax assessment clerk in order to close the file, and in this framework unaudited trial balance sheets were filed for 2015-2016.
- 1.5 In addition, the Company's liquidator contacted the Withholding Department of the Income Tax Authority in order to close the file. The assessment clerk did not agree to close the file until he saw confirmation that all of the Company's revenues had been distributed and tax was paid in accordance with the law. The Company's liquidator will act according to these instructions.

2. Distribution to shareholders

- 2.1 During 2015 the Company's liquidator distributed to shareholders the sum of \$9 million, which constitutes \$0.27 per share.
- 2.2 It should be noted that the sum of \$260,000 of the distribution total was not distributed to shareholders for various reasons, such as shareholders failing to redeem the check, failure to send the documents needed for distribution, etc. These monies will be distributed during the next shareholder distribution.
- 2.3 An additional distribution to shareholders of all the remaining funds in the Company's account can be expected following the conclusion of matters described in the report.

3. Legal status

- 3.1 In January 2014, a suit was filed for the sum of NIS 58,000 against the Company by the Migdal Insurance Company in respect of the alleged

failure to pay provisions to the insurance fund of one of the Company's employees.

- 3.2 On January 18, 2016, following negotiations with the insurance company and in light of arrangements between the parties, a compromise agreement was signed between the Company, Migdal Insurance and the former Company employee regarding whom the suit was filed. In the framework of the agreement it was decided that the Company would pay Migdal Insurance some NIS 32,000 in order to settle the suit.
- 3.3 On January 21, 2016 the sum was paid to Migdal Insurance in accordance with the agreement and the suit was settled.
- 3.4 The agreement that was signed is attached hereto as **Appendix D**.

4. The office of the Chief Scientist

- 4.1 In the course of its activity a file was opened for the Company with the Temura Fund of the Office of the Chief Scientist in the Ministry of Justice (hereinafter, "**the Scientist**"), and the Company was awarded grants in accordance with Israel's R&D Law.
- 4.2 On July 16, 2015 the Company's liquidator and his office staff contacted the Temura Fund asking to close the Company's file with the Fund. Since then and to the present the Company has undergone two professional examinations by an external examiner and materials were sent to the Fund as required, but to date no final confirmation has been received that the file was closed. According to the Scientist, due to technical reasons related to the external examiner there is a delay in receiving authorization to close the file. Attached hereto as **Appendix E** is the correspondence with the Office of the Chief Scientist in connection with closing the file.
- 4.3 The liquidator is in ongoing contact with the Scientist and the external examiner in order to help close the file.

5. Ministry of Justice – Law, Information and Technology Authority

- 5.1 It was brought to the liquidator's attention that the Company has an information database in the Information Database Registry of the Ministry of Justice, under the Protection of Privacy Law.
- 5.2 The undersigned and his office staff worked in cooperation with the Company's lawyers to delete the information database and cancel the fees.

5.3 On December 27, 2016 the information database was removed from the Information Database Registry and the fees in respect of the years 2014-2016 were canceled. Confirmation for removal of the database and cancellation of the fees is attached hereto as **Appendix F**.

6. Subsidiary

6.1 The subsidiary company registered in the State of Delaware filed final reports with the Authorities.

6.2 With the aid of a local attorney, the undersigned acted to liquidate the subsidiary in Delaware and to close the company's files in additional states where the company operates – California, New York, Texas and New Jersey.

6.3 The company was liquidated in Delaware on April 3, 2015, and also in the States of California and New York. Attached as **Appendix G (1-3)** is confirmation of the company's liquidation in Delaware, California and New York.

6.4 Clearance of the company's file in the state of New Jersey – the Company liquidator, with help from an accountant and Mr. Bill Heye, a former Company employee who is assisting in closing the company in the USA, filed an application in order to obtain a tax clearance from this state. After receiving authorization an application for liquidation will be filed by the lawyer in the USA.

6.5 Clearance of the company's file in the State of Texas – Documents for obtaining a tax clearance were filed, but due to a technical issue they were not processed by the authorities. The Company liquidator is working to refile the documents and to receive the authorization, after which he will file an application to liquidate the company in this State.

Respectfully yours,

Yoav Kfir, CPA

Company Liquidator

Backweb Technologies, Ltd.

(In voluntary liquidation)