MAGICJACK VOCALTEC LTD
Form PREM14A
December 13, 2017

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

SCHEDULE 14A
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:
Preliminary Proxy Statement
Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
Definitive Proxy Statement
Definitive Additional Materials
Soliciting Material under Rule 14a-12

MAGICJACK VOCALTEC LTD.
(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required
Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

Title of each class of securities to which transaction applies:

(1) Ordinary shares, no par value, of magicJack VocalTec Ltd. (“magicJack ordinary shares”)

Aggregate number of securities to which transaction applies:

(2) As of November 30, 2017, (i) 16,130,383 magicJack ordinary shares; (ii) 251,666 magicJack ordinary shares issuable upon the exercise of stock options with exercise prices below $8.71 per share; and (iii) 304,413 magicJack ordinary shares underlying restricted shares.

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

The maximum aggregate value was determined based upon the sum of: (i) 16,130,383 magicJack ordinary shares multiplied by $8.71 per share; (ii) stock options to purchase 251,666 magicJack ordinary shares with exercise prices below $8.71 per share multiplied by $1.64 (the difference between $8.71 and the weighted average exercise price of $7.07 per share); and (iii) 304,413 magicJack ordinary shares underlying restricted shares multiplied by $8.71 per share.

In accordance with Section 14(g) of the Securities Exchange Act of 1934, as amended, the filing fee was determined by multiplying the sum calculated in the preceding sentence by 0.0001245.

Proposed maximum aggregate value of transaction:

(4) $143,559,805.40

Total fee paid:

(5) $17,873.20

Fee paid previously with preliminary materials.
Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid: _____
(2) Form, Schedule or Registration Statement No.:_____
(3) Filing Party: _____
(4) Date Filed: _____

MAGICJACK VOCALTEC LTD.
12 Haomanut Street, 2nd Floor
Poleg Industrial Area, Netanya, Israel 42504

NOTICE OF EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS

Notice is hereby given that an extraordinary general meeting of shareholders of magicJack VocalTec Ltd. (the "Company") will be held at the offices of Bryan Cave LLP, 1290 Avenue of the Americas, 35th Floor, New York, NY 10104, at 10:00 a.m. local time on [ ], 2018 (the "Meeting").

At the Meeting, shareholders of the Company will be asked to consider and vote on the following proposals:

1. Approval of the Agreement and Plan of Merger (the "Merger Agreement"), dated as of November 9, 2017, by and among the Company, B. Riley Financial, Inc., a Delaware corporation ("Parent") and B. R. Acquisition Ltd., an Israeli corporation and an indirect wholly owned subsidiary of Parent ("Merger Sub"), and the terms of the merger contemplated thereby;

2. Approval, in accordance with the requirements of the Israeli Companies Law, 5759-1999, as currently amended (the "Companies Law"), of an amendment to the employment agreement and an amendment to the restricted stock agreement with the Company's President and Chief Executive Officer, Don C. Bell III, related to the transactions contemplated by the Merger Agreement;

3. Approval, on a non-binding, advisory basis, of certain compensation that will be paid or may become payable to our named executive officers in connection with the merger; and

4. The transaction of such other business as may properly come before the Meeting and any adjournments or postponements thereof.

These proposals are described more fully in the attached proxy statement, which we urge you to read in its entirety.

Only shareholders of record at the close of business on [ ], 2018 will be entitled to attend and vote at the Meeting. This notice and the accompanying proxy statement and proxy card are being first mailed to shareholders on or about [ ], 2018.

This notice together with the accompanying proxy statement and proxy card, are available on the Company's website at www.vocaltec.com.

YOUR VOTE IS VERY IMPORTANT. Whether or not you intend to attend the Meeting in person, please take the time to vote your shares by completing, signing and promptly mailing the enclosed proxy card to us in the enclosed, postage-paid envelope. If you attend the Meeting, you may vote in person, whether or not you have already executed and returned your proxy card. You may revoke your proxy card not later than 2 hours prior to the scheduled time of the Meeting or at the Meeting itself if you attend the Meeting. If you revoke your proxy, you may only vote by attending the Meeting in person.

By Order of the Board of Directors,

MAGICJACK VOCALTEC LTD.

Don Carlos Bell III

President and Chief Executive Officer
[ ], 2018

Table of Contents

MAGICJACK VOCALTEC LTD.
12 Haomanut Street, 2nd Floor
Poleg Industrial Area, Netanya, Israel 42504

PROXY STATEMENT

EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS

We are furnishing this proxy statement to the holders of ordinary shares, no par value, of magicJack VocalTec Ltd., a company organized under the laws of the State of Israel (referred to as "we," "us" or the "Company"), in connection with the solicitation by the Company's board of directors (the "Board") of proxies for use at an extraordinary general meeting of shareholders and any adjournment or postponement thereof (the "Meeting"). The Meeting will be held on [ ], 2018 at 10:00 a.m. local time at the offices of Bryan Cave LLP, 1290 Avenue of the Americas, 35th Floor, New York, NY 10104.

At the Meeting, you will be asked to consider and approve the following matters (the "Proposals"):

1. Approval of the Agreement and Plan of Merger (the "Merger Agreement"), dated as of November 9, 2017, by and among the Company, B. Riley Financial, Inc., a Delaware corporation ("Parent") and B. R. Acquisition Ltd., an Israeli corporation and an indirect wholly owned subsidiary of Parent ("Merger Sub"), and the terms of the merger contemplated thereby (the "Merger Proposal");

2. Approval, in accordance with the requirements of the Israeli Companies Law, 5759-1999, as currently amended (the "Companies Law"), of an amendment to the employment agreement and an amendment to the restricted stock agreement with the Company's President and Chief Executive Officer, Don C. Bell III, related to the transactions contemplated by the Merger Agreement (the "CEO Compensation Proposal");

3. Approval, on a non-binding, advisory basis, of certain compensation that will be paid or may become payable to our named executive officers in connection with the merger (the "Golden Parachute Payments Proposal"); and

4. The transaction of such other business as may properly come before the Meeting.

OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" EACH OF THE MERGER PROPOSAL, THE CEO COMPENSATION PROPOSAL AND THE GOLDEN PARACHUTE PAYMENTS PROPOSAL.

YOUR VOTE IS VERY IMPORTANT.

The Board has set [ ], 2018 as the record date for determining shareholders entitled to notice of and to vote at the Meeting. On that record date, the Company had [ ] ordinary shares issued and outstanding and eligible to vote at the Meeting. This proxy statement, notice and form of proxy are first being mailed to shareholders on [ ], 2018.

Proxies will be solicited by the Company mainly by mail. Certain officers, directors, employees and agents of the Company, none of whom will receive additional compensation, may solicit proxies by telephone, fax or other personal contact. Additionally, we have engaged a proxy solicitor to assist with the solicitation of proxies and expect that the cost of such proxy solicitor to be approximately $30,000. We will furnish copies of solicitation materials to brokerage firms, nominees, fiduciaries and other custodians for forwarding to their respective principals. We will bear the cost of soliciting proxies, including postage, printing and handling, and will reimburse the reasonable expenses of brokerage firms and others for forwarding material to beneficial owners of ordinary shares.

The affirmative vote of the holders of a majority of the voting power represented at the Meeting in person or by proxy and voting on a given Proposal is necessary for the approval of such Proposal. In addition: (1) with respect to the approval of Proposal 1, the Merger Proposal, abstention votes and votes of Company shares held by Merger Sub, Parent (or any other person who holds 25% or more of the means of control of Merger Sub), or anyone on their behalf (including relatives or corporations controlled by such persons) will be excluded, and (2) the approval of Proposal 2, the CEO Compensation Proposal, is also subject to the fulfillment of one of the following additional voting requirements: (i) the majority of the shares that are voted at the Meeting in favor of Proposal 2, excluding abstentions, must include at least a majority of the votes of shareholders who are not controlling shareholders and do not have a personal interest in the Proposal or (ii) the total number of shares held by the shareholders mentioned in clause (i) above that are voted against the Proposal does not exceed two percent of the aggregate voting rights in the Company.

Under the Companies Law, a personal interest means a personal interest of a person in an act or transaction of a company, including: (i) a personal interest of that person's relative (which includes for these purposes a person's spouse, brother or sister, parent, parent's parent, sibling and any sibling, brother, sister or parent of such person's spouse, or the spouse of any of the foregoing); or (ii) a personal interest of another entity in which that person or his or her relative holds 5% or more of such entity's issued shares or voting rights, has the right to appoint a director or the chief executive officer of such entity, or serves as director or chief executive officer of such entity, including the personal interest of a person voting pursuant to a proxy whether or not the proxy grantor has a personal interest. A personal interest resulting merely from holding the Company's shares will not be deemed a personal interest for purposes of the Companies Law. If you do not state whether you have a personal interest in Proposal 2 by appropriate indication on your proxy card or voting instruction card, you will be deemed to have a personal interest for the purpose of the required vote detailed above and your vote will not be counted with respect to that Proposal.

Broker non-votes occur when a beneficial owner of shares held in "street name" does not give instructions to the broker or nominee holding the shares as to how to vote on matters deemed "non-routine." Generally, if shares are held in street name, the beneficial owner of the shares is entitled to give voting instructions to the broker or nominee holding the shares. If the beneficial owner does not provide voting instructions, the broker or nominee can still vote the shares with respect to matters that are considered to be "routine," but not with respect to "non-routine" matters. In the event that a broker, bank, or other agent indicates on a proxy that it does not have discretionary authority to vote certain shares on a non-routine proposal, then those shares will be treated as broker non-votes and will not be treated as either a vote "for" or "against" a proposal. Under Israeli law, broker non-votes will not be counted as present for the purpose of determining the presence or absence of a quorum for the transaction of business. All of the Proposals are considered non-routine and brokers or other nominees may vote only those shares for which the beneficial owner has given instructions on how to vote.

This proxy statement provides you with detailed information about the matters on which you are requested to vote your shares. In addition, you may obtain information about the Company from documents filed with the United States Securities and Exchange Commission ("SEC"). We encourage you to read the entire proxy statement carefully and to vote your shares.

Important Notice Regarding the Availability of Proxy Materials for the Extraordinary General Meeting of Shareholders to be Held on [ ], 2018: This proxy statement is available at www.vocaltec.com. If you would like to obtain directions to be able to attend the Meeting in person, please call Thomas Fuller, the Company's Chief Financial Officer, at (561) 749-2255.

QUESTIONS AND ANSWERS ABOUT
THE TRANSACTION AND THE MEETING

The following questions and answers briefly address some commonly asked questions about the proposed transactions with Parent and Merger Sub, including the Merger Agreement and the Meeting. This section may not address every question you have or include all the information that is important to you. magicJack VocalTec Ltd. urges shareholders to carefully read this entire proxy statement, including the annexes and the other documents referred to herein.

Except as specifically noted in this proxy statement, the terms "Company," "we," "our" or "us" and similar words refer to magicJack VocalTec Ltd., including in certain cases its subsidiaries. Throughout this proxy statement, we refer to B. Riley Financial, Inc. as either "B. Riley" or "Parent" and B. R. Acquisition Ltd. as "Merger Sub." Additionally, unless otherwise specified, references to "$" refer to the legal currency of the United States.

Shareholder votes are important. We encourage our shareholders to vote as soon as possible. For more specific information on how to vote, please see the questions and answers in "The Meeting" section below.

The Transaction

Q: What is the Transaction?

A: The Company, Parent and Merger Sub have entered into the Merger Agreement pursuant to which Parent proposes to acquire all of the outstanding ordinary shares of the Company (other than those held by Parent, Merger Sub and their subsidiaries) as a result of the merger of Merger Sub with and into the Company (the "Merger") for $8.71 per share in cash, without interest, which we refer to as the "Per Share Merger Consideration." The transactions contemplated by the Merger Agreement, including the Merger, are referred to as the "Transaction" for purposes of this proxy statement. The Merger Agreement is attached to this proxy statement as Annex A. We encourage you to review the Merger Agreement in its entirety.

Q: What will the Company's shareholders receive when the Transaction occurs?

A: For every Company ordinary share held at the effective time of the Merger, the Company's shareholders (other than Parent, Merger Sub and their subsidiaries) will be entitled to receive $8.71 in cash, without interest, less any applicable withholding taxes.

Q: How does the purchase price compare to the market price of the Company's ordinary shares?

A: The purchase price of $8.71 per share to be received by the Company's shareholders represents a premium of approximately (i) 18.5% over the closing price of the Company's ordinary shares on the NASDAQ Global Select Market on March 14, 2017, the last completed trading day prior to the date that the Company announced that it had received unsolicited indications of interest and would be considering its strategic alternatives, (ii) 23.6% over the 90-day average closing price of the Company's ordinary shares for the period ended November 7, 2017, and (iii) 54.2% over the closing price of the Company's ordinary shares on the NASDAQ Global Select Market on November 8, 2017, the last completed trading day prior to the Company's announcement that it entered into the Merger Agreement.

The closing sale price of a Company ordinary share on the NASDAQ Global Select Market on December 11, 2017, which was the last practicable trading day before the date of this proxy statement, was $8.30. You are encouraged to obtain current market quotations for the Company's ordinary shares in connection with voting your shares.

Q: When do you expect the Transaction to be completed?

A: The Transaction is subject to various closing conditions, including Company shareholder approval and regulatory approvals. We hope to complete the Transaction [in the first half of 2018].

Q: What are the other Proposals and how do they relate to the Transaction?

A: Proposal 2 relates to approving amendments to the employment agreement and the restricted stock agreement of the Company's Chief Executive Officer, Don C. Bell III, (i) to allow Mr. Bell to receive certain compensation upon the consummation of the Merger and (ii) to postpone the vesting of the restricted share awards that were previously granted to Mr. Bell and cause such awards to be forfeited upon the consummation of the Merger. These arrangements were approved by our Compensation Committee and our Board on November 7, 2017 contingent upon approval and execution of the Merger Agreement. These arrangements are described in more detail in "The Transaction—Interests of Our Directors and Executive Officers in the Transaction—Golden Parachute Compensation—Don C. Bell III Executive Employment Agreement" beginning on page 54, and under Proposal 2 below.

Proposal 3 relates to approving, on a non-binding, advisory basis, certain compensation that will be paid or may become payable to our named executive officers in connection with or as a result of the Transaction. These arrangements were approved by our Board in connection with its approval of the Merger Agreement or will be made pursuant to existing agreements between the Company and the executives. These arrangements are described in more detail in "The Transaction—Interests of Our Directors and Executive Officers in the Transaction—Golden Parachute Compensation" beginning on page 54, and under Proposal 3 below.

Q: How does the Board recommend that I vote on the Proposals?

A: The Board unanimously determined that it is in the best interest of the Company that the Company enter into the Merger Agreement and consummate the Transaction, and unanimously recommends that you vote "FOR" the Merger Proposal. You should read the section entitled "The Transaction—Recommendation of the Board; Reasons for the Transaction" beginning on page 38.

The Board also unanimously recommends that you vote "FOR" the CEO Compensation Proposal. Please review Proposal 2, below.

The Board also unanimously recommends that you vote "FOR" the Golden Parachute Payments Proposal. See "The Transaction— Interests of Our Directors and Executive Officers in the Transaction—Golden Parachute Compensation" beginning on page 54 for more information.

Q: What effects will the Transaction have on the Company?

A: As a result of the Transaction, the Company will cease to be a standalone public company and will be an indirect wholly owned subsidiary of Parent. The Company's ordinary shares will no longer be publicly traded and will be delisted from the NASDAQ Global Select Market. In addition, the Company's ordinary shares will be deregistered under the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"), upon application to the SEC, and we will no longer file periodic reports with the SEC.

Q: What will happen in the Transaction to the Company's stock option awards?

A: With the exception of the options issued to Don C. Bell III, the Company's Chief Executive Officer, each Company stock option, whether or not vested or exercisable, that is unexpired, unexercised and outstanding immediately prior to the effective time of the Merger will vest and terminate in its entirety at the effective time. The holder of each such stock option will be entitled to receive an amount in cash equal to the product of: (i) the excess of (x) $8.71 over (y) the per share exercise price of such option, multiplied by (ii) the number of ordinary shares underlying each such option, which amount will be paid less any applicable withholding taxes. To the extent any unexpired and outstanding Company stock option has an exercise price that is equal to or greater than the purchase price of $8.71, such option will be cancelled for no consideration. The options issued to Mr. Bell will be cancelled for no

consideration effective as of the effective time of the Merger.

Q: What will happen in the Transaction to the Company's restricted share awards?

A: Company restricted share awards outstanding immediately prior to the effective time of the Merger will become vested as a result of the Merger, only if and to the extent provided by the terms of the award or applicable Company equity plan, and any portion of the award that does not become so vested will be forfeited. Each vested restricted share will be cancelled and converted into the right to receive a cash payment with respect thereto equal to $8.71 per share, less any applicable withholding taxes.

Q: Do any of the Company's directors or executive officers have interests in the Transaction that may differ from those of the Company's shareholders?

A: Yes, some of our directors and executive officers may have interests in the Transaction that are different from, or in addition to, the interests of the Company's shareholders generally. The Board was aware of and considered these interests, among other matters, in reaching its decision to approve entry into the Merger Agreement and the consummation of the Merger. See "The Transaction—Interests of Our Directors and Executive Officers in the Transaction" beginning on page 52 for a description of such interests.

Q: What are the material U.S. federal income tax considerations of the Transaction to the Company's shareholders?

A: The receipt of cash for Company ordinary shares by U.S. holders (as defined in "The Transaction—Material U.S. Federal Income Tax Considerations of the Transaction") pursuant to the Transaction will be a taxable transaction for U.S. federal income tax purposes. In general, for U.S. federal income tax purposes, a U.S. holder of the Company's ordinary shares will recognize gain or loss in an amount equal to the difference, if any, between (i) the amount of cash received in the Transaction and (ii) the U.S. holder's adjusted tax basis in the shares. A non-U.S. holder (as defined in "The Transaction—Material U.S. Federal Income Tax Considerations of the Transaction") of the Company's ordinary shares generally will not be required to pay U.S. federal income tax on the receipt of cash in exchange for the Company's ordinary shares in the Transaction unless such non-U.S. holder has certain connections to the United States. See "The Transaction—Material U.S. Federal Income Tax Considerations of the Transaction" beginning on page 58 for a more detailed discussion of the U.S. federal income tax treatment of the Transaction.

Shareholders, including non-U.S. shareholders, should consult their own tax advisors to determine the tax consequences to them (including the application and effect of any state, local or non-U.S. income and other tax laws) of the Transaction in light of their particular circumstances.

Q: How will I be paid the Per Share Merger Consideration for my shares?

A: On or prior to the closing date of the Merger, Parent or Merger Sub will deposit with a paying agent cash in an amount equal to the aggregate Per Share Merger Consideration payable to all shareholders (other than Parent, Merger Sub and their subsidiaries) as of the closing date of the Merger. The paying agent will provide instructions to our shareholders on how to surrender shares for payment of the Per Share Merger Consideration.

Q: Should I send in my share certificates or other proof of ownership now?

A: No. The paying agent will provide a letter of transmittal to our shareholders after the effective time of the Merger. The letter will describe how you can surrender your share certificates for the Per Share Merger Consideration. If your shares are held in "street name" by your bank, brokerage firm or other nominee, you will receive instructions from them as to how to surrender your "street name" shares in exchange for the Per Share Merger Consideration. Please do not send in your stock certificates now.

Q: Am I entitled to appraisal rights in connection with the Transaction?

A: No. There are no appraisal or similar rights of dissenters under Israeli law, whether you vote for or against the Merger Proposal.

Q: What happens if I sell my ordinary shares before the Meeting?

A: The record date for shareholders entitled to vote at the Meeting is earlier than the date of the Meeting and the expected closing date of the Merger. If you transfer your ordinary shares of the Company after the record date but before the Meeting, you will, unless special arrangements are made, retain your right to vote at the Meeting but will

transfer the right to receive the Per Share Merger Consideration to the person to whom you transfer your shares.

5

Q: What happens if the Merger Proposal is not approved by the Company's shareholders or if the Transaction is not completed for any other reason?

A: If the Merger Proposal is not approved by our shareholders or if the Transaction is not completed for any other reason, our shareholders will not receive any payment for their shares in connection with the Transaction. Instead, we will remain a standalone public company, the Company's ordinary shares will continue to be listed and traded on the NASDAQ Global Select Market and registered under the Exchange Act, and we will continue to file periodic reports with the SEC.

The Company will be required to pay Parent a termination fee of $5,738,297 upon the termination of the Merger Agreement under specified circumstances, as described under the section entitled "The Agreement and Plan of Merger—Transaction Expenses; Termination Fees—Company Termination Fee" beginning on page 73.

The Meeting

Q: When and where is the Meeting?

A: The Meeting will be held at 10:00 a.m., local time, on [ ], 2018 at the offices of Bryan Cave LLP, 1290 Avenue of the Americas, 35th Floor, New York, NY 10104.

Q: What quorum and shareholder vote are required to approve the Proposals?

A: A quorum is required for the transaction of business at the Meeting. Two or more shareholders, present in person or by proxy and holding shares conferring in the aggregate not less than one-third of the voting power of the Company as of the record date of [ ], 2018 will constitute a quorum. Each Company share is entitled to one vote on each Proposal.

Approval of Proposal 1, the Merger Proposal, requires the affirmative vote of the holders of a majority of the voting power represented at the Meeting in person or by proxy and voting (excluding abstentions, and excluding the votes of Company shares held by Merger Sub, Parent (or any other any person who holds 25% or more of the means of control of Merger Sub), or anyone on their behalf (including relatives or corporations controlled by such persons)) on Proposal 1.

Approval of Proposal 2, the CEO Compensation Proposal, requires the affirmative vote of the holders of a majority of the voting power represented at the Meeting in person or by proxy and voting (excluding abstentions) on Proposal 2.

In addition, the approval of Proposal 2 requires that either of the following two voting conditions be met as part of the approval by a majority of shares present and voting thereon:

- the majority voted in favor includes a majority of the shares held by non-controlling shareholders who do not have a personal interest in the approval of Proposal 2 that are voted at the Meeting, excluding abstentions; or

- the total number of shares held by non-controlling, disinterested shareholders (as described in the previous bullet-point) that are voted against approval of Proposal 2 does not exceed two percent of the aggregate voting rights in the Company.

The affirmative vote of the holders of a majority of the voting power represented at the Meeting in person or by proxy and voting (excluding abstentions) on Proposal 3, the Golden Parachute Payments Proposal, is necessary for the approval of Proposal 3.

Under Israeli law, abstentions are counted in determining whether a quorum is present, but will not be counted in connection with the vote on any Proposal.

Q: How can I vote?

A: Shareholders of record at the record date of [ ], 2018 may vote by personally attending the Meeting or attending by proxy, by completing and returning a proxy card. If you hold your shares in "street name" through a bank, broker or other nominee, you will be able to exercise your vote through such organization by completing a voting instruction form in accordance with the procedures issued by such organization. "Street name" holders may be able to submit their voting instructions to their bank, broker or other nominee by telephone or through the Internet.

The method by which shareholders of record vote will in no way limit the right to vote at the Meeting if such shareholders later decide to attend in person. If shares are held in "street name," beneficial holders must vote in accordance with the instructions received from their bank, broker or other nominee.

Any shares entitled to vote and represented by properly completed proxy received prior to the Meeting and that is not revoked either (i) more than two hours prior to the Meeting by a properly executed proxy delivered to the Company or (ii) at the Meeting by your participation in person, provided that you are a registered shareholder, will be voted at the Meeting in accordance with your instructions. If a signed proxy card is returned without indicating how shares should be voted on a matter and the proxy is not revoked, the shares represented by such proxy will be voted as the Board recommends and, therefore, "FOR" the approval of the Merger Proposal and each of the other Proposals.

Q: What do I do if I receive more than one proxy card or set of voting instructions?

A: If you hold shares in "street name", directly as a record holder or otherwise, you may receive more than one proxy card and/or set of voting instructions relating to the Meeting. If more than one proxy card is received, you should vote and return each proxy card separately in accordance with the applicable voting instructions and this proxy statement in order to ensure that all of your shares are voted.

Q: If my ordinary shares are held in "street name" by my bank, broker or other nominee, will they vote my shares for me?

A: Your broker, bank or nominee will not be able to vote any of your shares without instructions from you. The vote on each of the Proposals is considered a "non-routine" matter, and your bank, broker or other nominee is not permitted to exercise discretion to vote your ordinary shares. If you hold your ordinary shares in "street name," you should follow the procedures provided by your bank, broker or other nominee regarding how to instruct them to vote your shares. Typically, you would submit your voting instructions by mail, by telephone or through the Internet in accordance with the procedures provided by your bank, broker or other nominee. Without instructions, your shares will not be voted.

Q: How are votes counted?

A: You may vote FOR or AGAINST each of the Proposals, or you may abstain from voting on each of the Proposals. Abstentions will not be counted as votes cast or shares voting on the proposal, but will count for the purposes of determining whether a quorum is present. Pursuant to Israeli law, broker non-votes will not be counted as present for the purpose of determining the presence or absence of a quorum for the transaction of business and, therefore, will not be counted for the purpose of determining whether a quorum is present or approval is obtained with respect to any Proposal.

Q: Can I revoke or change my vote?

A: Yes. Shareholders have the right to revoke a proxy at any time prior to voting at the Meeting by (i) submitting a subsequently dated proxy, which, if not delivered in person at the Meeting, must be received by us no later than two hours before the appointed time of the Meeting or (ii) attending the Meeting and voting in person, provided that you are a registered shareholder. If you hold ordinary shares in "street name" through a broker, bank or other nominee, you should follow the procedures provided by such organization to revoke or change your vote.

Q: What happens if I do not submit a proxy card or otherwise vote?

A: Your shares will not be voted on any of the Proposals and will not be counted as present at the Meeting. Failure to submit a proxy card or otherwise vote could make it more difficult for us to achieve the requisite thresholds we need for approval of the Proposals. Therefore, we urge all Company shareholders to vote, and we request that you

return the proxy card as soon as possible.

Q: What do Company shareholders need to do now?

A: Carefully read and consider the information contained in and incorporated by reference into this proxy statement, including its annexes. In order for Company ordinary shares to be represented at the Meeting, shareholders can (i) indicate on the enclosed proxy card how they would like to vote and return the proxy card in the accompanying pre-addressed postage paid envelope or (ii) attend the Meeting in person. If your shares are held in "street name" through your broker, bank or other nominee, please follow the procedures provided by such organization regarding how to instruct them to vote your shares.

Q: Who can answer questions?

A: Company shareholders with questions about the Proposals or the Meeting, or who desire additional copies of this proxy statement or additional proxy cards should contact our proxy solicitor:

Saratoga Proxy Consulting, LLC
520 8th Avenue, New York, NY 10018
(212) 257-1311

Registered holders of Company ordinary shares who have questions regarding their share ownership may write to the Company's transfer agent, American Stock Transfer & Trust Company, LLC, by first class, registered or certified mail at 6201 15th Avenue, Brooklyn, NY 11219 or by overnight courier at 6201 15th Avenue, Brooklyn, NY 11219. Registered holders may call American Stock Transfer & Trust Company, LLC at (718) 921-8124, or toll-free at 1 (800) 937-5499.

SUMMARY

This summary highlights selected information from this proxy statement related to the Transaction and the Proposals, and may not contain all of the information that is important to you. To understand the Transaction more fully and for a more complete description of the legal terms of the Transaction, you should carefully read this entire proxy statement, including the annexes and other documents referred to herein. You may obtain the information incorporated by reference in this proxy statement without charge by following the instructions under the caption "Where You Can Find More Information." The Merger Agreement is attached as Annex A to this proxy statement. We encourage you to read the Merger Agreement, which is the legal document that governs the Transaction, carefully and in its entirety.

The Company, Parent and Merger Sub have entered into the Merger Agreement pursuant to which Parent proposes to acquire all of the outstanding ordinary shares of the Company (other than those held by Parent, Merger Sub and their subsidiaries) as a result of the merger of Merger Sub with and into the Company for $8.71 per share in cash, without interest and less any applicable withholding taxes.

Parties to the Transaction

magicJack VocalTec Ltd.

magicJack VocalTec Ltd. is the cloud communications leader that invented the magicJack device as well as other telecommunication products and services. The Company is a vertically integrated group of companies, with capabilities including Voice-over-Internet-Protocol ("VoIP") services and related equipment sales, micro-processor chip design, and development of the magicJack device. In addition to residential consumers, the Company provides VoIP services and related equipment to small to medium sized businesses at competitive prices and wholesales telephone service to VoIP providers and telecommunication carriers. In 2016, the Company acquired a provider of hosted Unified Communication as a Service ("UCaaS") and seller of hardware and network equipment focusing on medium-to-large, multi-location enterprise customers.

magicJack devices come with the right to access the Company's servers ("access right"), which provides customers the ability to obtain free telephone services. Access rights are renewable. The Company currently offers the magicJack GO version of the device, which has its own CPU and can connect a regular phone directly to the user's broadband modem/router and function as a standalone phone without using a computer. The sale of devices is done through a distribution channel that includes retailers, wholesalers and direct to customer sales via the Company's website.

The Company also offers magicJack mobile apps, which are applications that allow users to make and receive telephone calls through their smart phones or devices. The Company currently offers the magicApp, magicJack Connect and magicJack Spark. The magicApp and magicJack Connect are mobile apps available for both iOS and Android. In July 2017, the Company launched magicJack Spark on iOS devices. The mobile apps allow customers to place and receive telephone calls in the United States or Canada on their mobile devices through either an existing or new magicJack account.

The Company was incorporated in the State of Israel in 1989 and is domiciled in Netanya, Israel, with principal U.S. offices in West Palm Beach, Florida.

B. Riley Financial, Inc.

B. Riley Financial, Inc. is a diversified financial services company which takes a collaborative approach to the capital raising and financial advisory needs of public and private companies and high net worth individuals. B. Riley operates through several wholly owned subsidiaries, including B. Riley & Co., LLC; FBR Capital Markets & Co.;

Wunderlich Securities, Inc.; Great American Group, LLC; B. Riley Capital Management, LLC (which includes B. Riley Asset Management, B. Riley Wealth Management, and Great American Capital Partners, LLC); and B. Riley Principal Investments, a group that makes proprietary investments in other businesses.

The principal executive offices of B. Riley are located at 21255 Burbank Boulevard, Suite 400, Woodland Hills, California 91367. Its telephone number is (818) 884-3737, and its website is www.brileyco.com. Information on B. Riley's website is not incorporated by reference into or otherwise part of this proxy statement.

Merger Sub

B. R. Acquisition Ltd., which we refer to as "Merger Sub," was organized under the laws of the State of Israel on August 6, 2017 and is an indirect wholly owned subsidiary of B. Riley. Merger Sub was formed solely for the purpose of completing the Merger. Merger Sub has not carried on any activities to date, except for activities incidental to its formation and activities undertaken in connection with the Transaction.

The principal executive offices of Merger Sub are located at 1 Givat Hatachmoshet Street, Tel Aviv, Israel 6702101. Its telephone number is (818) 884-3737.

The Meeting

Date, Time and Place

The Meeting will be held at the offices of Bryan Cave LLP, 1290 Avenue of the Americas, 35th Floor, New York, NY 10104, at 10:00 a.m. local time on [ ], 2018.

Purpose

The purpose of the Meeting is to consider and vote upon the proposal to approve the Merger Agreement in connection with the Transaction and the related proposals to approve the amendments to the employment agreement and restricted stock agreement of Don C. Bell III, the Company's Chief Executive Officer and to approve the related change in control payments to named executive officers as required under SEC rules. The Board recommends that its shareholders vote "FOR" each of the Proposals.

Record Date and Quorum

The record date for determining the shareholders who are entitled to vote at the Meeting is [ ], 2018.

A quorum is required for the transaction of business at the Meeting. The presence, in person or by proxy, at the Meeting of two or more shareholders holding not less than one-third of the outstanding ordinary shares of the Company held by all shareholders as of the record date of [ ] will constitute a quorum. Parent, Merger Sub and their subsidiaries will not be entitled to vote at the Meeting.

Vote Required

The affirmative vote of shareholders present and voting, either in person or by proxy at the Meeting, representing not less than a majority of the voting power represented at the Meeting, is required for the approval of the Merger Proposal and for the approval of each of the other Proposals. In addition: (1) with respect to the approval of Proposal 1, the Merger Proposal, abstention votes and votes of Company shares held by Merger Sub, Parent (or any other any person who holds 25% or more of the means of control of Merger Sub), or anyone on their behalf (including relatives or corporations controlled by such persons) will be excluded, and (2) the approval of Proposal 2, the CEO Compensation Proposal, is also subject to the fulfillment of one of the following additional voting requirements: (i) the majority of the shares that are voted at the Meeting in favor of Proposal 2, excluding abstentions, must include at least a majority of the votes of shareholders who are not controlling shareholders and do not have a personal interest in the Proposal or (ii) the total number of shares held by the shareholders mentioned in clause (i) above that are voted

against the Proposal does not exceed two percent of the aggregate voting rights in the Company.

Pursuant to Israeli law, broker non-votes will not be counted as present for the purpose of determining the presence or absence of a quorum for the transaction of business and, therefore, will not be counted for the purpose of determining whether a Proposal has been approved. Under Israeli law, abstentions are counted in determining whether a quorum is present, but will not be counted in connection with the vote on any Proposal.

Recommendation of the Board

After careful consideration, the Board unanimously determined that it is in the best interest of the Company that the Company enter into the Merger Agreement and consummate the Transaction, and unanimously recommends that you vote "FOR" the approval of the Merger Proposal and the other two Proposals which are related to the Transaction.

The Agreement and Plan of Merger

Merger Sub will be merged with and into the Company in accordance with the provisions of Sections 314-327 of the Companies Law 5759-1999 and of the Israeli Companies Regulations (Merger), 5760-2000 of the State of Israel (together with the rules and regulations promulgated under the Companies Law 5759-1999, the "ICL") and as a result thereof, the separate existence of Merger Sub will cease and the Company will be the surviving corporation in the Transaction (the "Surviving Corporation") and will (a) become a private and indirect wholly owned subsidiary of Parent, (b) continue to be governed by the Laws of the State of Israel, (c) maintain a registered office in the State of Israel, and (d) succeed to and assume all of the rights, properties and obligations of Merger Sub and the Company in accordance with the ICL.

Appraisal Rights

There are no appraisal or similar rights of dissenters under Israeli law.

Opinion of BofA Merrill Lynch

In connection with the Merger, Merrill Lynch, Pierce, Fenner & Smith Incorporated, referred to as "BofA Merrill Lynch," the Company's financial advisor, delivered to the Board an oral opinion, confirmed by delivery of a written opinion, dated November 8, 2017, as to the fairness, from a financial point of view, as of November 8, 2017, of the Per Share Merger Consideration to be received by holders of Company ordinary shares. The full text of the written opinion, dated November 8, 2017, of BofA Merrill Lynch, which describes, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken, is attached as Annex B to this proxy statement and is incorporated by reference herein in its entirety. BofA Merrill Lynch provided its opinion to the Board (in its capacity as such) for the benefit and use of the Board in connection with and for purposes of its evaluation of the Per Share Merger Consideration from a financial point of view. BofA Merrill Lynch's opinion does not address any other aspect of the Merger and no opinion or view was expressed as to the relative merits of the Merger in comparison to other strategies or transactions that might be available to the Company or in which the Company might engage or as to the underlying business decision of the Board to proceed with or effect the Merger. BofA Merrill Lynch's opinion does not address any other aspect of the Merger and does not constitute a recommendation to any shareholder as to how to vote or act in connection with the proposed Merger or any related matter.

For a description of the opinion that the Board received from BofA Merrill Lynch, see "The Transaction—Opinion of BofA Merrill Lynch" beginning on page 41.

Treatment of the Company's Stock Options and Restricted Stock in the Transaction

Stock Options

Each Company stock option, whether or not vested or exercisable, that is unexpired, unexercised and outstanding immediately prior to the effective time of the Merger will, at the effective time, become fully vested, to the extent not previously vested, and will automatically be cancelled and converted into the right to receive a cash payment in an amount to be paid or to be caused to be paid by the Surviving Corporation equal to the product of: (i) the excess of (x)

$8.71 over (y) the per share exercise price of such option, and (ii) the number of ordinary shares underlying each such option, which amount will be paid to such holder less any applicable withholding taxes. To the extent any unexpired and outstanding Company stock option has an exercise price that is equal to or greater than $8.71, such options will be terminated immediately prior to the effective time of the Merger, and the holder thereof will not be entitled to consideration in connection with such cancellation. The only exception to this treatment of stock options is for the options held by Don C. Bell III, the Company's Chief Executive Officer. Mr. Bell's options will be cancelled as of the consummation of the Merger and Mr. Bell will receive no further consideration in connection with such cancellation.

Restricted Shares

Company restricted share awards outstanding immediately prior to the effective time of the Merger will become vested as a result of the Merger, only if and only to the extent provided by the terms of the award or applicable Company equity plan, and any portion of the award that does not become so vested will be forfeited. Each vested restricted share will be cancelled and converted into the right to receive a cash payment with respect thereto equal to $8.71 per share, less any applicable withholding taxes.

Interests of Our Directors and Executive Officers in the Transaction

You should be aware that some directors and executive officers of the Company may have interests in the Transaction that are different from, or are in addition to, the interests of shareholders generally. The Board was aware of and considered these interests, among other matters, in reaching its decision to approve entry into the Merger Agreement and consummation of the Transaction. See "The Transaction—Interests of Our Directors and Executive Officers in the Transaction" beginning on page 52 for a description of these interests.

Conditions to Completion of the Transaction

We expect to complete the Transaction after all the conditions to the Transaction in the Merger Agreement are satisfied or waived. We hope to complete the Transaction [in the first half of 2018].

Pursuant to the Merger Agreement, the obligation of each party to complete the Transaction is subject to the satisfaction or waiver of several conditions set forth in the Merger Agreement, which are summarized below:

- the approval of the Merger Agreement and the terms of the Merger by the Company's shareholders;
- the absence of any governmental orders or proceedings that make the Transaction illegal or otherwise prohibit the consummation of the Transaction;
- the passing of at least 50 days after the required filing of a merger proposal with the Registrar of Companies of the State of Israel (the "Companies Registrar") and at least 30 days after approval of the Merger Agreement and the terms of the Merger by the shareholders of each the Company and Merger Sub;
- the expiration or termination of the applicable waiting period (and any extension thereof) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, which we refer to as the "HSR Act;" and
- all required approvals of the United States Federal Communications Commission or any successor thereof (the "FCC") and similar state regulatory approvals and filings have been made or obtained.

The obligation of the Company to consummate the Transaction is subject to the satisfaction or waiver of the following additional conditions:

- the representations and warranties of Parent and Merger Sub contained in the Merger Agreement shall be true and correct (without giving effect to materiality qualifications or limitations) on and as of the date of the Merger Agreement and as of the closing date (except to the extent such representations and warranties relate to a specified date, in which case as of such specified date), except for failures that, individually or in the aggregate, would not reasonably be expected to prevent, materially delay or materially impair the consummation of the Transaction or the performance by Parent or Merger Sub of their obligations under the Merger Agreement;
-

Parent and Merger Sub shall each have performed or complied in all material respects with all agreements and covenants required by the Merger Agreement to be performed or complied with by it on or prior to the effective date of the Merger;

- the Company shall have received at the closing of the Merger a certificate signed by an executive officer of B. Riley and Merger Sub certifying as to the satisfaction of the conditions set forth in the two immediately preceding bullets;

- B. Riley shall have transferred the aggregate amount of consideration due with respect to the Company shares (other than excluded shares), stock options and restricted shares in accordance with the terms of the Merger Agreement; and

- Parent shall have executed an undertaking in customary form in favor of the Israeli Innovation Authority ("IIA") to comply with the provisions of the Israeli Encouragement of Research, Development and Technological Innovation in the Industry Law 5744-1984 (the "R&D Law").

The obligation of Parent and Merger Sub to consummate the Transaction is subject to the satisfaction or waiver of the following additional conditions:

- the representations and warranties of the Company contained in the Merger Agreement, as of the date of the Merger Agreement and as of the closing date (except to the extent such representations and warranties relate to an earlier date, in which case as of such earlier date), with respect to (i) corporate authority, capitalization and no material adverse effect shall be true and correct in all respects (except in the case of capitalization, for de minimis inaccuracies), (ii) standing and corporate power, takeover laws, the financial advisor opinion and the absence of brokers shall be true and correct in all material respects, and (iii) all other representations of the Company shall be true and correct (without giving effect to materiality qualifications or limitations), except, with respect to (iii), to the extent any failures would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect (as defined in the Merger Agreement);

- the Company shall have performed or complied in all material respects with all agreements and covenants required by the Merger Agreement to be performed or complied with by it at or prior to the effective date of the Merger;

- B. Riley shall have received at the closing of the Merger a certificate signed by an executive officer of the Company certifying as to the satisfaction of the conditions set forth in the two immediately preceding bullets;

- the approval required to be obtained from the IIA of the written notice to the IIA regarding the change in ownership of the Company effected as a result of the Merger, required to be submitted to the IIA in connection with the Merger in accordance with the R&D Law, shall have been granted;

- the Company or its subsidiaries shall have filed specified tax returns; and

- all required governmental authorizations, approvals and clearances and all expirations or terminations of waiting periods (including any extensions thereof) shall have been obtained without the imposition of a condition that is not contingent on the consummation of the Merger or that would reasonably be expected to have a material adverse effect on the business, results of operations or financial condition of the Company and its subsidiaries (taken as a whole) or Parent and its subsidiaries (taken as a whole, after giving effect to the Merger) measured on a scale relative to the Company and its subsidiaries (see "The Agreement and Plan of Merger—Efforts to Obtain Regulatory Approvals and Tax Ruling" beginning on page 69).

The Merger Agreement provides that any or all of the conditions described above may be waived, in whole or in part, by the Company or Parent, as applicable, to the extent legally allowed (see "The Agreement and Plan of Merger—Conditions to Completion of the Merger" beginning on page 70).

No Solicitation

The Merger Agreement contains customary "no solicitation" provisions, subject to a "fiduciary exception," requiring the Company and its subsidiaries and their respective directors and officers not to, and not to authorize or permit their employees, agents or representatives (including investment bankers, financial advisors, attorneys and accountants) to, directly or indirectly:

- solicit, initiate, knowingly encourage or knowingly facilitate the making or submission of any acquisition proposal (as defined in the Merger Agreement and summarized in "The Agreement and Plan of Merger—Non-Solicitation; Acquisition Proposals; Change in Recommendations" beginning on page 66);
- enter into, continue or otherwise participate in any discussions or negotiations regarding, or furnish to any person any information in connection with, or enter into any agreement with respect to any acquisition proposal or any inquiry, proposal or offer, or take any other action to facilitate inquiries or the making of any proposal that constitutes or could reasonably be expected to lead to, any acquisition proposal;
- terminate, amend, modify or waive any provision of any confidentiality, "standstill" or similar agreement under which it has any rights, or fail to enforce in all material respects each such agreement with respect to an acquisition proposal;
- approve, endorse or recommend any acquisition proposal;
- enter into any agreement (including any letter of intent, acquisition agreement or similar agreement) relating to any acquisition proposal, other than a confidentiality agreement in connection with a potential superior proposal (as defined in the Merger Agreement and summarized in "The Agreement and Plan of Merger—Non-Solicitation; Acquisition Proposals; Change in Recommendations" beginning on page 66); or
- propose publicly or agree to any of the foregoing with respect to an acquisition proposal.

The Merger Agreement does not, however, prohibit the Company from considering an unsolicited, bona fide acquisition proposal from a third party if certain specified conditions are met. For a discussion of the prohibition on solicitation of acquisition proposals from third parties, and the exceptions to such prohibition, see "The Agreement and Plan of Merger—Non-Solicitation; Acquisition Proposals; Change in Recommendations" beginning on page 66.

Termination of the Merger Agreement

The Merger Agreement and the Transaction may be abandoned at any time prior to the effective time of the Merger upon the mutual written agreement of the parties or at the option of either the Company or Parent if:

- the closing of the Transaction does not occur on or before August 9, 2018 (the "End Date"), except that (i) under certain circumstances, the End Date may be automatically extended to November 9, 2018; and (ii) a party may not terminate under this provision if such party's breach or failure to perform or comply with any obligation under the Merger Agreement resulted in or was a proximate cause of the failure of the Transaction to be completed on or before the End Date;
- a governmental entity of competent jurisdiction shall have enacted or issued any order or law permanently enjoining, restraining, prohibiting or making illegal the consummation of the Transaction, and is final and nonappealable; provided that a party may not terminate under this provision if such party's breach or failure to perform or comply with any obligation under the Merger Agreement resulted in or was a proximate cause of such government action, or if such party seeking to terminate the Merger Agreement has not

complied with its obligations under the Merger Agreement to have any such government action removed; or

· the Company's shareholders do not approve the Merger Agreement and terms of the Merger at the Meeting.

Parent may terminate the Merger Agreement:

- if the Company breaches any of its covenants, representations or warranties in a manner that causes the closing conditions regarding its representations, warranties and covenants not to be satisfied and such violation or breach has not been expressly waived in writing by Parent, Parent has provided written notice of its intent to terminate to the Company and such violation or breach may not be cured by the End Date or, to the extent curable, has not been cured within the earlier of a 30-day cure period or three business days prior to the End Date, provided that neither Parent nor Merger Sub has materially breached the Merger Agreement; or

- in the event that (a) the Board has effected a Company adverse recommendation change (as defined in the Merger Agreement and summarized in "The Transaction—Recommendation of the Board; Reasons for the Transaction" beginning on page 38 of this proxy statement) or (b) at any time following receipt of an acquisition proposal, the Board fails to reaffirm its approval or recommendation of the Merger Proposal within five business days of receipt of written request to do so from Parent.

The Company may terminate the Merger Agreement if:

- Parent or Merger Sub breaches any of their respective covenants, representations or warranties in a manner that causes the closing conditions regarding such representations, warranties and covenants not to be satisfied and such violation or breach has not been expressly waived in writing by the Company, the Company has provided written notice of its intent to terminate to Parent and such violation or breach may not be cured by the End Date or, to the extent curable, has not been cured within the earlier of a 30-day cure period or three business days prior to the End Date, provided that the Company has not materially breached the Merger Agreement; or

- prior to obtaining approval of the Merger Proposal, in response to a superior proposal that was not solicited in material violation of the Merger Agreement, the Company enters into a definitive agreement with respect to an acquisition proposal that the Company has concluded constitutes a superior proposal, provided that the Company pays to Parent the termination fee.

For a discussion of the termination of the Merger Agreement, see "The Agreement and Plan of Merger—Termination of the Merger Agreement" beginning on page 72.

Termination Fees

The Company will be required to pay Parent a termination fee of $5,738,297 if the Merger Agreement is terminated following the Board's withdrawal of its recommendation of the Transaction or the Company terminates the Merger Agreement to accept a superior proposal, and in certain other circumstances.

For a discussion of the termination fees see "The Agreement and Plan of Merger—Transaction Expenses; Termination Fees—Company Termination Fee" beginning on page 73.

Financing of the Transaction

The Transaction is not subject to a financing condition.

Delisting and Deregistration of the Company's Ordinary Shares

Following the Merger, the Company's shares will be delisted from the NASDAQ Global Select Market, will be deregistered under the Exchange Act and will cease to be publicly traded.

Expenses

All fees and expenses incurred in connection with the Merger Agreement and the Transaction will be paid by the party incurring such fees and expenses whether or not the Transaction is completed, except that Parent will be responsible for all filing fees payable under the HSR Act.

Material U.S. Federal Income Tax Considerations of the Transaction

The receipt of cash for Company ordinary shares by U.S. holders pursuant to the Transaction will be a taxable transaction for U.S. federal income tax purposes. In general, for U.S. federal income tax purposes, a U.S. holder of Company ordinary shares will recognize gain or loss in an amount equal to the difference, if any, between (1) the amount of cash received in the Transaction and (2) the U.S. holder's adjusted tax basis in the shares. A non-U.S. holder of Company ordinary shares generally will not be required to pay U.S. federal income tax on the receipt of cash in exchange for Company ordinary shares in the Transaction unless such holder has certain connections to the United States. Holders, including non-U.S. holders, should consult their tax advisors to determine the particular tax consequences to them (including the application and effect of any state, local or non-U.S. income and other tax laws) of the Transaction. See "The Transaction—Material U.S. Federal Income Tax Considerations of the Transaction" beginning on page 58.

Regulatory Matters

Antitrust Approvals

The Transaction is subject to certain antitrust laws. The Company and B. Riley have made or will make filings pursuant to the HSR Act, with the United States Department of Justice Antitrust Division, which we refer to as the "DOJ," and the United States Federal Trade Commission, which we refer to as the "FTC." Under the HSR Act, the Transaction cannot be completed until the expiration or termination of the initial waiting period (typically a 30-day period) or any extension thereof following the submission of complete filings with the DOJ and FTC.

FCC and State Approvals

A condition to closing is that all required authorizations, approvals, clearances and consents or filings with the Federal Communications Commission, which we refer to as the "FCC," and similar state regulators have been obtained or made. The Company has begun the process of making these filings and seeking these approvals.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This proxy statement, and the documents incorporated by reference in this proxy statement, include "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, which are identified by the use of the words "believe," "expect," "may," "could," "should," "plan," "project," "anticipate," "intend," "estimate," "will," "conte "forecast," "would" and similar expressions that contemplate future events. Such forward-looking statements are based on management's reasonable current assumptions and expectations, expected completion and timing of the Transaction and other information relating to the Transaction. These statements are subject to risks and uncertainties, including, but not limited to, the factors and matters described in this proxy statement and the following:

- the risk that the Transaction may not be completed in a timely manner or at all, which may adversely affect the Company's business and the price of its ordinary shares;
- the failure to obtain the Company shareholder approval of the Merger Proposal;
- the possibility that the closing conditions to the Transaction may not be satisfied or waived, including that a governmental entity may prohibit, delay or refuse to grant a necessary regulatory approval;
- the potential for regulatory authorities to require divestitures in connection with the proposed Transaction;
- the occurrence of any event that could give rise to termination of the Merger Agreement;
- the risk of shareholder litigation that may be instituted in connection with the contemplated Transaction;
- risks related to the diversion of management's attention from the Company's ongoing business operations;
- the effect of the announcement of the Transaction on the Company's ability to retain and hire key personnel and maintain relationships with customers, suppliers and other third parties; and
- difficult global economic and capital markets conditions.

Additional factors that may affect the future results of the Company, its financial condition, business, prospects and securities are detailed in the Company's Annual Report on Form 10-K for the year ended December 31, 2016, which should be read in conjunction with this proxy statement. See "Where You Can Find More Information." Many of the factors that will determine the Company's future results are beyond its ability to control or predict. In light of the significant uncertainties inherent in the forward-looking statements contained herein, readers should not place undue reliance on forward-looking statements, which reflect management's views only as of the date hereof. We cannot guarantee any future results, levels of activity, performance or achievements. The statements made in this proxy statement represent the Company's views as of the date of this proxy statement, and you should not assume that the statements made herein remain accurate as of any future date. Moreover, we assume no obligation to update forward-looking statements or update the reasons that actual results could differ materially from those anticipated in forward-looking statements, except as required by law.

THE EXTRAORDINARY GENERAL MEETING

Date, Time and Place of the Meeting

The Meeting is scheduled to be held at the offices of Bryan Cave LLP, 1290 Avenue of the Americas, 35th Floor, New York, NY 10104, at 10:00 a.m. local time on [ ], 2018.

Purpose of the Meeting

The purpose of the Meeting is to consider and vote upon the Merger Proposal and the other Proposals in connection with the Transaction. The Board recommends that its shareholders vote "FOR" the approval of the Merger Proposal and each other Proposal.

Persons Entitled to Vote; Quorum; Vote Required

The record date for determining the shareholders who are entitled to vote at the Meeting is [ ], 2018.

The presence, in person or by proxy, at the Meeting of two or more shareholders holding not less than one-third of the outstanding Company ordinary shares held by all shareholders of record as of [ ], 2018 will constitute a quorum, which is necessary to hold the Meeting. Abstentions are counted in determining whether a quorum is present, but will not be counted in connection with the vote for the Merger Proposal or for the approval of each of the other Proposals.

The affirmative vote of the holders of a majority of the voting power represented at the Meeting in person or by proxy and voting on a given Proposal is necessary for the approval of such Proposal. In addition: (1) with respect to the approval of Proposal 1, the Merger Proposal, votes of Company shares held by Merger Sub, Parent (or any other any person who holds 25% or more of the means of control of Merger Sub), or anyone on their behalf (including relatives or corporations controlled by such persons) will be excluded, and (2) the approval of Proposal 2, the CEO Compensation Proposal, is also subject to the fulfillment of one of the following additional voting requirements: (i) the majority of the shares that are voted at the Meeting in favor of Proposal 2, must include at least a majority of the votes of shareholders who are not controlling shareholders and do not have a personal interest in the Proposal or (ii) the total number of shares held by the shareholders mentioned in clause (i) above that are voted against the Proposal does not exceed two percent of the aggregate voting rights in the Company.

Under the Companies Law, a personal interest means a personal interest of a person in an act or transaction of a company, including: (i) a personal interest of that person's relative (which includes for these purposes any members of his/her (or his/her spouse's) immediate family or the spouses of any such members of his or her (or his/her spouse's) immediate family); or (ii) a personal interest of another entity in which that person or his or her relative holds 5% or more of such entity's issued shares or voting rights, has the right to appoint a director or the chief executive officer of such entity, or serves as director or chief executive officer of such entity, including the personal interest of a person voting pursuant to a proxy whether or not the proxy grantor has a personal interest. A personal interest resulting merely from holding the Company's shares will not be deemed a personal interest for purposes of the Companies Law. If you do not state whether you have a personal interest in Proposal 2 by appropriate indication on your proxy card or voting instruction card, you will be deemed to have a personal interest for the purpose of the required vote detailed above and your vote will not be counted with respect to Proposal 2.

As of December 11, 2017, there were 16,138,619 outstanding Company ordinary shares.

Proxies and Voting Procedures

If you are a shareholder, you can vote your ordinary shares by completing and returning a proxy card, which when properly executed and received by us, will be voted at the Meeting in accordance with the shareholders' instructions set forth in the proxy card. If you hold your ordinary shares in "street name," please vote in accordance with the instructions provided by your broker, bank or other nominee. "Street name" holders, or beneficial owners holding through a broker, bank or other nominee, may also vote by telephone or by Internet, in accordance with instructions provided by their broker, bank or other nominee. All shares entitled to vote and represented by properly completed proxies received prior to the Meeting and not revoked will be voted at the Meeting in accordance with your instructions. If you are a shareholder of record and you return a signed proxy card without indicating how your shares should be voted on a matter and do not revoke your proxy, the shares represented by your proxy will be voted as the Board recommends, and therefore, "FOR" the approval of the Merger Proposal and each of the other Proposals.

Any shareholder entitled to vote at the Meeting has the right to revoke his or her proxy at any time prior to voting at the Meeting by (i) submitting a subsequently dated proxy, which, if not delivered in person at the Meeting, must be received by us no later than [ ] before the appointed time of the Meeting or (ii) by attending the Meeting and voting in person. You can submit your subsequently dated proxy to us care of [ ]. Attendance at the Meeting will not, by itself, revoke your proxy; you must vote in person at the Meeting in order to revoke or change your vote. If you hold shares in "street name" through a broker, bank or other nominee and would like to change your vote instruction, you should follow the directions provided by your broker, bank or other nominee. Most organizations provide means by which "street name" holders may vote by telephone or by Internet, as well as by signing and returning voting instructions.

If the Meeting is postponed or adjourned, your proxy will remain valid and may be voted at the postponed or adjourned meeting. You still will be able to revoke your proxy until it is voted.

Validly completed proxies received at any time before the Meeting, and not revoked or superseded before being voted, will be voted at the Meeting. A validly completed proxy will be voted in accordance with the instructions, if any, provided therein. A validly signed proxy card that does not specify a vote with respect to any Proposal will be voted "FOR" that Proposal.

If you hold certificated shares, please do not send in your share certificates with your proxy card. Shareholders will be notified of the procedures to submit share certificates after the Merger is consummated.

Mailing of Proxy Statement

This proxy statement, including the Notice, was first mailed to shareholders on or about [ ], 2018. After we first made this proxy statement, including the Notice, and other soliciting materials available to shareholders, copies were supplied to brokers, banks and other nominees to be provided to "street name" holders for the purpose of soliciting proxies from those holders.

Registered Office

The mailing address of our registered office is 12 Haomanut Street, 2nd Floor, Poleg Industrial Area, Netanya, Israel 42504.

Abstentions and Broker Non-Votes

If a shareholder abstains from voting, or if brokers, banks or other nominees holding their customers' shares of record cause abstentions to be recorded, those shares are considered present and entitled to be voted at the Meeting, and, therefore, are considered for purposes of determining whether a quorum is present. A "broker non-vote" is treated as neither being present nor entitled to vote on the relevant Proposal and, therefore, is not counted for purposes of determining whether a quorum is present or a Proposal has been approved. Each of the Proposals, including the Merger Proposal, is considered a "non-routine" matter, and if you are a "street name" holder, your broker will not have the authority to vote your shares for or against any proposal without your instruction.

Adjournments

Should no quorum be present 30 minutes after the time scheduled for the Meeting, the Meeting will be adjourned to the same day for one week later and will be held at the same place and time on [____], 2018. At such adjourned meeting, the presence, in person or by proxy, of two or more shareholders holding not less than one-third of the outstanding Company ordinary shares held by all shareholders as of record as of [ ], 2018 will constitute a quorum.

Cost of Proxy Distribution and Solicitation

We will pay the expenses of the solicitation of proxies from our shareholders. Proxies may be solicited on our behalf in person or by mail, telephone, e-mail, facsimile or other electronic means by our directors, officers or employees, who will receive no additional compensation for soliciting. In addition, we have engaged Saratoga Proxy Consulting, LLC to assist in the solicitation of proxies and to provide related informational support, for a fee of approximately $30,000 plus reimbursement of reasonable expenses. In accordance with the regulations of the SEC and NASDAQ rules, we will reimburse brokerage firms and other custodians, nominees and fiduciaries for their expenses incurred in sending proxies and proxy materials to beneficial owners of our shares.

PARTIES TO THE TRANSACTION

magicJack VocalTec Ltd.

magicJack VocalTec Ltd. is the cloud communications leader that invented the magicJack device as well as other telecommunication products and services. The Company is a vertically integrated group of companies, with capabilities including Voice-over-Internet-Protocol ("VoIP") services and related equipment sales, micro-processor chip design, and development of the magicJack device. In addition to residential consumers, the Company provides VoIP services and related equipment to small to medium sized businesses at competitive prices and wholesales telephone service to VoIP providers and telecommunication carriers. In 2016, the Company acquired a provider of hosted Unified Communication as a Service ("UCaaS") and seller of hardware and network equipment focusing on medium-to-large, multi-location enterprise customers.

magicJack devices come with the right to access the Company's servers ("access right"), which provides customers the ability to obtain free telephone services. Access rights are renewable. The Company currently offers the magicJack GO version of the device, which has its own CPU and can connect a regular phone directly to the user's broadband modem/router and function as a standalone phone without using a computer. The sale of devices is done through a distribution channel that includes retailers, wholesalers and direct to customer sales via the Company's website.

The Company also offers magicJack mobile apps, which are applications that allow users to make and receive telephone calls through their smart phones or devices. The Company currently offers the magicApp, magicJack Connect and magicJack Spark. The magicApp and magicJack Connect are mobile apps available for both iOS and Android. In July 2017, the Company launched magicJack Spark on iOS devices. The mobile apps allow customers to place and receive telephone calls in the United States or Canada on their mobile devices through either an existing or new magicJack account.

The Company was incorporated in the State of Israel in 1989 and is domiciled in Netanya, Israel, with principal U.S. offices in West Palm Beach, Florida.

B. Riley Financial, Inc.

B. Riley Financial, Inc. is a diversified financial services company which takes a collaborative approach to the capital raising and financial advisory needs of public and private companies and high net worth individuals. B. Riley operates through several wholly owned subsidiaries, including B. Riley & Co., LLC; FBR Capital Markets & Co.; Wunderlich Securities, Inc.; Great American Group, LLC; B. Riley Capital Management, LLC (which includes B. Riley Asset Management, B. Riley Wealth Management, and Great American Capital Partners, LLC); and B. Riley Principal Investments, a group that makes proprietary investments in other businesses.

The principal executive offices of B. Riley are located at 21255 Burbank Boulevard, Suite 400, Woodland Hills, California 91367. Its telephone number is (818) 884-3737, and its website is www.brileyco.com. Information on this website is not incorporated by reference into or otherwise part of this proxy statement.

Merger Sub

Merger Sub was organized under the laws of the State of Israel on August 6, 2017, and is an indirect wholly owned subsidiary of B. Riley. Merger Sub was formed solely for the purpose of completing the Transaction. Merger Sub has not carried on any activities to date, except for activities incidental to its formation and activities undertaken in connection with the Transaction.

The principal executive offices of Merger Sub are located at 1 Givat Hatachmoshet Street, Tel Aviv, Israel 6702101; and its telephone number is (818) 884-3737.

THE TRANSACTION

The following is a description of the material aspects of the Transaction. While we believe that the following description covers the material terms of the Transaction, the description may not contain all of the information that is important to you. We encourage you to read carefully this entire proxy statement, including the Merger Agreement, attached to this proxy statement as Annex A, for a more complete understanding of the Transaction.

Background of the Transaction

The Board and the Company's management regularly review the Company's operating and strategic plans, both near-term and long-term, as well as potential partnerships in an effort to enhance shareholder value. These reviews and discussions focus, among other things, on the opportunities and risks associated with the Company's business and financial condition, strategic relationships and other strategic opportunities.

On April 30, 2015, the Board engaged Merrill Lynch, Pierce, Fenner & Smith Incorporated ("BofA Merrill Lynch") to act as financial advisor to the Company in connection with a potential transaction involving the Company. Between April 2015 and July 2015, at the direction of the Board, BofA Merrill Lynch contacted 35 potential strategic and financial buyers regarding a possible sale of the Company. Confidentiality agreements were executed with 10 potential buyers and management presentations were provided to nine interested parties. On July 15, 2015, the Company received indications of interest from two potential bidders. The highest indication of interest was at $8.00 per ordinary share, all cash. The Board reviewed the highest indication of interest and determined not to pursue a transaction at that price. The Board resolved that the Company should instead move forward with the Board's strategic plan to increase shareholder value through possible growth initiatives and re-consider a transaction process at a later date.

At the beginning of July 2016, Carnegie Technologies Holdings, LLC ("Carnegie") contacted the Company to express its interest in exploring a strategic transaction with the Company, including the acquisition of one or more of the Company's businesses or the Company as a whole. Subsequently, senior officers of the Company attended an informal meeting with Carnegie in New York to discuss the possibility of a strategic transaction. On July 20, 2016, Carnegie sent a letter to the Company indicating it was interested in acquiring all of the outstanding ordinary shares of the Company for a price between $8.00 and $10.00 per ordinary share, all cash, subject to certain conditions regarding the outcome of the due diligence review and the negotiation of definitive agreements. Additionally, further negotiations were conditioned on the Company granting Carnegie a 45-day exclusivity period.

On July 25, 2016, the Board received an unsolicited indication of interest from a third party ("Bidder A") in the range of $7.50 to $8.00 per ordinary share, all cash.

On August 1, 2016, in response to the Board's request for a narrower price range, Carnegie sent a letter to the Company further indicating its interest in acquiring all of the outstanding ordinary shares of the Company at a proposed price range of $8.50 to $9.50 per ordinary share, all cash.

On August 12, 2016, the Company sent Carnegie a letter in response informing it that the Board had rejected the proposal contained in its letter of August 1, 2016, but indicating that the Company would be interested in pursuing further negotiations and proposing that the parties enter into a customary confidentiality agreement to facilitate such discussions.

On August 12, 2016, the Company responded to Bidder A informing it that the offer was inadequate, but that the Board would consider an offer with a substantially increased purchase price.

On August 15, 2016, the Company entered into a confidentiality agreement with Carnegie to facilitate further discussions and more substantive due diligence regarding a proposed acquisition.

On August 23, 2016, the Board met to discuss, among other matters, the status of the negotiations with Carnegie.

On August 25, 2016, the Board received a revised unsolicited indication of interest from Bidder A stating that Bidder A believed it could “obtain a value range” for the purchase of the Company of $7.50 to $10.00 per ordinary share, all cash.

Also on August 25, 2016, the Company announced that the 2016 annual general meeting of shareholders for the purpose of electing directors (the "2016 Annual Meeting") would be held on October 7, 2016. On August 29, 2016, the Company received notice from Kanen Wealth Management LLC ("Kanen"), then a greater than 5% shareholder of the Company, that Kanen intended to nominate a competing slate of directors, which slate included Alan B. Howe. The Company issued a press release on September 1, 2016, to disclose Kanen's competing slate and announce the postponement of the 2016 Annual Meeting pending negotiations with Kanen. The details surrounding this process were disclosed by the Company in its definitive proxy statement for the 2016 Annual Meeting filed with the SEC on March 15, 2017.

On September 1, 2016, the Board received a revised unsolicited verbal offer from Bidder A of approximately $10.00 per ordinary share, all cash. On September 7, 2016, the Company entered into a confidentiality agreement with Bidder A to facilitate further discussions regarding a proposed acquisition.

On September 12, 2016, after further discussions between the Company and Carnegie and Carnegie's performance of due diligence on the Company (including several meetings with senior management), Carnegie sent a letter of intent to the Company communicating its offer to acquire all of the ordinary shares of the Company for $8.50 per ordinary share, all cash. Further negotiations were again conditioned on the Company granting Carnegie an exclusivity period, in this case terminating on November 6, 2016. On September 16, 2016, Carnegie sent an updated letter of intent with respect to the proposed transaction containing additional details and maintaining an $8.50 per ordinary share offer price, subject to an exclusivity period terminating November 11, 2016.

On September 22, 2016, the Board met to discuss, among other matters, Carnegie's proposal and determined that a counteroffer to Carnegie at $10.00 per ordinary share was appropriate. Notwithstanding the Company's counteroffer, on September 29, 2016, Carnegie sent an updated letter of intent to the Company generally confirming the terms of its prior letter (including the previous $8.50 per ordinary share offer price), which contemplated that a definitive agreement would include a 45-day go shop provision. On the same date, the Board met to discuss, among other matters, the letter from Carnegie and the progress of negotiations with Bidder A. The Board determined to not pursue a transaction with Carnegie at a price of $8.50 per ordinary share.

On October 6, 2016, the Company received a written offer from Bidder A for $9.30 per ordinary share, all cash.

On October 10, 2016, the Board determined that it would be appropriate to again counter the offer received from Carnegie at $10.00 per ordinary share and give Carnegie a short period to respond. The Board also discussed the revised offer from Bidder A of $9.30 per ordinary share and determined to counter this offer at $10.00 per ordinary share. Following the meeting, the Company sent a letter to Carnegie countering the offer made in Carnegie's letter of September 29, 2016 with, among other things, a purchase price of $10.00 per ordinary share and an exclusivity period terminating on November 7, 2016.

On October 13, 2016, the Board received a counteroffer from Bidder A of $9.50 per ordinary share, all cash. On October 15, 2016, the Board met to discuss the offer from Bidder A of $9.50 per ordinary share and decided to move forward with due diligence with Bidder A in connection with a possible transaction. The Board also discussed negotiations with Carnegie and noted that Carnegie had informed the Company that it was not willing to increase its offer above $8.50 per ordinary share.

On October 19, 2016, the Company entered into an exclusivity agreement with Bidder A, terminating on November 14, 2016, regarding a possible acquisition of the Company and due diligence with respect to the Company by Bidder A.

Between October 18, 2016 and November 14, 2016, the Company responded to extensive due diligence inquiries from Bidder A and negotiated the terms of a merger agreement to be executed by the Company and Bidder A if Bidder A decided to move forward with the transaction.

On November 7, 2016, the Board discussed, among other things, the progress of Bidder A's due diligence efforts and negotiation of the merger agreement.

On November 14, 2016, the exclusivity period with Bidder A ended.

On November 15, 2016, the Board discussed the fact that Bidder A had missed the November 14, 2016 deadline for finalizing the terms of the merger agreement as set forth in the exclusivity agreement, but had requested an extension of the exclusivity period. The Board directed management to negotiate an extension of the deadline in the exclusivity agreement, either formally or informally, for an additional two weeks until November 29, 2016, however, no agreement relating to extension of the exclusivity period was reached between the Company and Bidder A.

On November 29, 2016, the Board discussed the fact that the Company and Bidder A had not entered into a definitive agreement by the November 29, 2016 deadline and discussed how to move forward. Bidder A failed to produce an unconditional financing commitment by this deadline and, consequently, the Company ceased active discussions with Bidder A until such time as Bidder A would be in a position to provide such commitment.

On January 4, 2017, Carnegie contacted the Company to express its displeasure that the Company had not entered into a strategic transaction. On January 5, 2017, Carnegie issued a press release announcing its intent to nominate a slate of competing directors for election to the Board at the 2016 Annual Meeting, which had not yet been rescheduled following Kanen's director proposal. On January 6, 2017, the Company issued a press release and filed a Form 8-K with the SEC acknowledging receipt of Carnegie's director proposal. Carnegie was subsequently notified by counsel to the Company that the Company would be required to disclose its negotiations with Carnegie in the Company's proxy statement for the annual meeting due to Carnegie's director proposal. From January 9, 2017 through March 30, 2017, the Company and Carnegie addressed Carnegie's director proposal through SEC filings and litigation in Israel. Meanwhile, the Company reached an agreement with Kanen pursuant to which Kanen withdrew its competing slate of directors and the Company agreed to nominate one of Kanen's director nominees, Alan B. Howe, and a new director nominee, Don C. Bell III. On March 30, 2017, Carnegie agreed to withdraw its competing slate of directors. The 2016 Annual Meeting was finally held on April 19, 2017.

Meanwhile, on January 9, 2017, the Company received an unsolicited indication of interest from a third party ("Bidder B") to acquire the Company for a purchase price of $9.50 per ordinary share, all cash, which was in excess of the $8.50 price previously offered by Carnegie. On January 31, 2017, Bidder B provided the Company with a letter from a third party potentially interested in financing Bidder B's proposed acquisition of the Company, subject to satisfactory completion of due diligence. On February 2, 2017, the Company entered into a confidentiality agreement with Bidder B to facilitate further discussions regarding a proposed acquisition and on February 6, 2017, Bidder B commenced due diligence on the Company.

On February 8, 2017, at the instruction of the Board, representatives of BofA Merrill Lynch reached out to Carnegie's financial advisor to again inquire whether Carnegie intended to submit a renewed offer to acquire the Company and to indicate that the Board remained open to reviewing any such offer. On February 13, 2017, Carnegie's financial advisor communicated to BofA Merrill Lynch that Carnegie was interested in engaging in transaction discussions with the Company and wished to refresh its prior due diligence review. On February 15, 2017, Carnegie submitted a due diligence request list to the Company. On February 21, 2017, in connection with Carnegie's due diligence of the Company, Company counsel sent a letter agreement to Carnegie's counsel seeking to modify the existing confidentiality agreement between Carnegie and the Company. On February 23, 2017, Carnegie and the Company entered into a letter agreement, modifying the existing confidentiality agreement between the parties. The letter agreement provided that Carnegie may use any confidential information obtained from the Company through its due diligence solely for the purpose of evaluating a transaction with the Company, and not for any purposes related to Carnegie's proxy contest in connection with the 2016 annual general meeting.

On February 22, 2017, Bidder A informed the Company that it had secured committed financing for its proposal to acquire the Company at a price of $9.50 per ordinary share.

On March 2, 2017, the Company received an unsolicited indication of interest from another third party ("Bidder C") to acquire the Company for a purchase price in the range of $9.00 to $9.50 per ordinary share, all cash, which was in excess of the $8.50 price previously offered by Carnegie.

On March 3, 2017, Bidder A provided the Company with copies of debt and equity commitments it had received for financing its proposal to acquire the Company at a price of $9.50 per ordinary share. Bidder A further proposed entering into a five-day exclusivity period with the Company in order to conduct legal due diligence and finalize definitive documentation regarding the proposed acquisition.

On March 6, 2017, the Board met to discuss the status of outstanding offers from Bidder A, Bidder B and Bidder C. The Board determined to continue to consider these offers while resolving the then outstanding issues relating to the election of directors.

On March 9, 2017, the Company appointed Don C. Bell III, then a director nominee of the Company, as the President and Chief Executive Officer of the Company and Thomas Fuller as the Executive Vice President of Finance of the Company.

On March 12, 2017, the Board met to further discuss the Company's strategic alternatives. Mr. Bell was present at the meeting and participated in the discussion. After discussion, the Board determined that it would be in the best interest of the Company to conduct a fresh review of potential strategic alternatives, while at the same time pursuing an aggressive organic growth strategy, and to publicly announce its intent to pursue this dual strategy. The Board engaged Bryan Cave LLP ("Bryan Cave") as legal advisor and BofA Merrill Lynch continued to act as financial advisor pursuant to the terms of its April 30, 2015 engagement letter.

On March 14, 2017, the Board formed a committee consisting of Izhak Gross and Richard Harris, independent directors of the Company, to work with Mr. Bell (the "Committee") to oversee on behalf of the Board the strategic alternatives process, with the assistance of the Company's financial and legal advisors. On March 15, 2017, the Company announced the Board's strategic alternatives process and dual track strategy.

Between March 14, 2017 and March 27, 2017, the Company negotiated and entered into a confidentiality agreement with Bidder C which contained a standstill provision. The standstill provision allowed Bidder C to communicate exclusively with the Board with respect to a potential acquisition of the Company and with respect to a waiver of any of its standstill obligations. The standstill provision included a "fall-away" of obligations to the Company in the event that the Company entered into a definitive agreement for its acquisition with a third party.

On March 17, 2017, the Company's new management team and representatives of BofA Merrill Lynch met with Bidder C.

On March 22, 2017, the Company's new management team met with each of Bidder A and Bidder B. Representatives of BofA Merrill Lynch attended these meetings.

Between March 22, 2017 and April 6, 2017, the Company negotiated and entered into a new confidentiality agreement with Bidder B which contained a standstill provision similar to the provision contained in the agreement with Bidder C. On April 7, 2017, the Company entered into a confidentiality agreement with another potential bidder which contained a standstill provision similar to the provisions contained in the confidentiality agreements with Bidder B and Bidder C.

On March 30, 2017, the Company and representatives of BofA Merrill Lynch discussed the transaction process with counsel for Bidder A's equity sponsor.

On April 19, 2017, Mr. Howe and Mr. Bell were elected to join the Board at the 2016 Annual Meeting.

Prior to Mr. Howe's election to the Board, he had one or two informal conversations with Kenny Young, the Chief Executive Officer of B. Riley Principal Investments, a wholly-owned subsidiary of B. Riley, about B. Riley's potential interest in the transaction process. Mr. Howe and Mr. Young are professional acquaintances and have served together (and continue to serve together) on boards of directors of other companies. Additionally, between December 2009 and December 2012, Mr. Howe was a managing director of B. Riley & Co., LLC in its Corporate Governance Advisory Services Group.

From April 19, 2017 to April 21, 2017, pursuant to discussions with members of the Board, representatives of BofA Merrill Lynch engaged with Bidder A concerning the new transaction process and requesting a new confidentiality agreement prepared by counsel to the Company with a standstill provision similar to that of the confidentiality agreements with Bidder B and Bidder C.

On April 25, 2017, the Committee held a telephonic meeting at which Company management discussed the Company's five-year financial plan for 2017 through 2021.

On May 4, 2017, at the direction of the Board, BofA Merrill Lynch began approaching potential bidders regarding a sale of the entire Company as well as a potential sale of Broadsmart, a business segment of the Company. Between May 5, 2017 and May 9, 2017, BofA Merrill Lynch contacted a total of 40 financial and strategic buyers.

On May 8, 2017, the Committee held a telephonic meeting at which representatives of BofA Merrill Lynch were present. Representatives of BofA Merrill Lynch provided the Committee with an update on the transaction process and a summary of conversations to date with potential bidders. The Committee discussed these matters.

On May 12, 2017, the Board held a regularly scheduled in-person meeting. Representatives of BofA Merrill Lynch and of Bryan Cave were present for a portion of the meeting. Representatives of BofA Merrill Lynch provided the Board with an update on the transaction process and a summary of conversations to date with potential bidders. They also led the Board through a financial discussion of publicly available information and Company management's five-year financial plan for 2017 through 2021, which was approved for BofA Merrill Lynch's use by the Board. The Board and its advisors discussed the various potential strategic alternatives that might be available to the Company.

After the Board meeting, Mr. Howe suggested to the representatives of BofA Merrill Lynch that B. Riley be contacted in connection with the transaction process to see if it would be interested in participating and, on May 13, 2017, Mr. Howe introduced Mr. Young to BofA Merrill Lynch via e mail.

On May 15, 2017, the Committee held a telephonic meeting at which representatives of BofA Merrill Lynch were present. Representatives of BofA Merrill Lynch provided the Committee with an update on the transaction process and a summary of conversations to date with potential bidders. The Committee discussed these matters.

During the period from May 18, 2017 through June 6, 2017, the Company entered into confidentiality agreements with eight potential bidders, including B. Riley, all of which contained standstill provisions. Each standstill provision was similar to that of the confidentiality agreements with Bidder B and Bidder C, except that one agreement did not contain the "fall away" provision in the event the Company entered into a definitive agreement for its acquisition with another entity. The other 27 parties contacted by BofA Merrill Lynch expressed no interest in pursuing a transaction. The parties that entered into confidentiality agreements (including those that entered into confidentiality agreements prior to this period) included six potential financial sponsor acquirers, including Bidder A and Bidder C, and seven potential strategic acquirers, including B. Riley and Bidder B.

From May 22, 2017 through June 7, 2017, the 13 potential bidders who had executed confidentiality agreements up to this point participated in meetings with Company management, which were also attended by representatives of BofA Merrill Lynch. During this period, potential bidders were provided with access to the data room to commence or continue diligence of the Company. Company management and BofA Merrill Lynch, on behalf of the Company, responded to various diligence requests.

On May 22, 2017, the Board held a telephonic meeting, at which Mr. Bell and Mr. Howe were approved as additional members of the Committee.

On May 30, 2017, the Committee held a telephonic meeting at which representatives of BofA Merrill Lynch were present. BofA Merrill Lynch provided the Committee with an update on the transaction process and a summary of conversations to date with potential bidders as well as the extent of due diligence activities of the bidders. The Committee members discussed these matters among themselves.

On June 9, 2017, at the direction of the Committee, BofA Merrill Lynch distributed process letters to the 13 potential bidders, including B. Riley, Bidder A, Bidder B and Bidder C, in which the bidders were advised to submit, by June 27, 2017, final bids (including a mark-up of the draft merger agreement and/or the asset purchase agreement, as applicable, which would be made available by the Company) for the acquisition of the entire Company or for the acquisition of only the Broadsmart segment.

On June 12, 2017, the Committee held a telephonic meeting at which representatives of BofA Merrill Lynch were present. Representatives of BofA Merrill Lynch provided the Committee with an update on the transaction process and a summary of conversations to date with potential bidders. The Committee members discussed these matters among themselves.

Between June 12, 2017 and June 15, 2017, the Company negotiated and entered into a new confidentiality agreement with Bidder A that contained a standstill provision similar to that of the confidentiality agreements with Bidder B and

Bidder C, except for the absence of the “fall away” provision in the event the Company entered into an agreement for its acquisition by another entity.

On June 16, 2017, Bryan Cave and the Company agreed upon the form of merger agreement to be made available to bidders for review and comment as part of the bid process, and posted it in the data room.

On June 19, 2017, the Committee held a telephonic meeting at which representatives of BofA Merrill Lynch were present. Representatives of BofA Merrill Lynch provided the Committee with an update on the transaction process and a summary of conversations to date with potential bidders. The Committee members discussed these matters among themselves. Also, on June 19, 2017, Bidder B notified BofA Merrill Lynch that it was considering partnering with another entity as an equity provider and requested that access to the data room be provided to such entity, which was not a potential bidder at that time. The same day, the potential partner of Bidder B executed a joinder to the confidentiality agreement between the Company and Bidder B and was given access to the data room.

On June 26, 2017, B. Riley and Bidder A each had separate meetings with the Company and representatives of BofA Merrill Lynch to discuss due diligence matters.

On June 27, 2017, the Company received proposals to acquire the entire Company from three potential bidders: B. Riley, Bidder A and Bidder B. The offer letters from each of Bidder A and Bidder B included as part of the bid package a mark-up of the draft merger agreement that had been posted in the data room. B. Riley did not submit a mark-up of the draft merger agreement. The bid from B. Riley was $9.00 per ordinary share, all cash; the bid from Bidder A was $9.55 per ordinary share, all cash; and the bid from Bidder B was $8.72 per ordinary share, all cash. The bid from B. Riley provided that a definitive agreement would not be subject to any financing contingency. The bid from Bidder A was accompanied by a debt commitment letter from a proposed lender to Bidder A, subject to several non-standard conditions, for partial financing for the transaction as well as a draft equity commitment letter and a draft limited guaranty, each from an equity sponsor for Bidder A. Bidder A’s total debt and equity commitment equaled approximately $129.2 million, less than the full amount of the offered purchase price, and did not explain the source of the balance of the purchase price. Bidder B’s bid included a financing contingency and Bidder B did not provide standard commitment papers from a financing source for the required financing but instead provided a term sheet for discussion purposes only from a potential financing source conditioned on successful completion of diligence by the financing source. On June 27, 2017, the Company also received three bids to purchase the Broadsmart segment. Two of those bids were for $8 million and one was for $10 million.

On June 28, 2017, the Committee held a telephonic meeting, with representatives of BofA Merrill Lynch and Bryan Cave present, to review the three bid proposals for the entire Company and the three bid proposals for the Broadsmart segment. Following deliberation, the Committee determined that the bids for the acquisition of the Company's Broadsmart segment should not be pursued and that the Company should focus on a potential sale of the entire Company. The Committee and BofA Merrill Lynch then discussed the financial aspects of the proposals to acquire the entire Company, including the need for Bidder A and Bidder B to obtain financing for their proposed transactions and whether they were likely to have the financial ability to consummate a transaction. A detailed summary of the submitted bids was delivered by BofA Merrill Lynch to the Committee prior to the meeting. Representatives from Bryan Cave presented to the Committee a legal analysis of the bids. The Committee noted significant issues raised in the mark-ups of the draft merger agreement provided by Bidder A and Bidder B, the significant differences between the two mark-ups of the draft merger agreement received and certain legal issues to be considered in connection with any signing and closing of a transaction. The Committee also discussed the fact that the mark-up provided by Bidder A was minimal and the Committee expressed concern that the draft merger agreement provided by Bidder A was not an accurate representation of Bidder A's position on the draft merger agreement, particularly in light of the Company's prior negotiations with Bidder A. The Committee instructed both Bryan Cave and BofA Merrill Lynch to obtain confirmation from Bidder A that it would have no further comments to the draft merger agreement. The Committee also instructed Bryan Cave to prepare and send to Bidder B's outside legal counsel a list of significant legal issues for discussion regarding Bidder B's mark-up of the draft merger agreement and to begin negotiations regarding these issues. BofA Merrill Lynch was instructed by the Committee to inform B. Riley that the Company had received a price per ordinary share that was materially higher than B. Riley's offer and that B. Riley should provide a mark-up of the merger agreement and complete its due diligence process.

On June 29, 2017, representatives of BofA Merrill Lynch contacted B. Riley as instructed by the Committee. At the request of the Committee, Mr. Howe also contacted Mr. Young to communicate the same message. BofA Merrill Lynch also contacted Bidder A to discuss its bid, the status of its financing and whether or not it would have additional comments to the draft merger agreement. Later that day, Bryan Cave circulated to the Committee a comparison of key issues raised in Bidder A's and Bidder B's merger agreement mark-ups, as well as a summary of the financing documents provided by each of Bidder A and Bidder B. BofA Merrill Lynch provided an update to the Committee of the telephone calls with B. Riley and Bidder A.

During the period from June 30, 2017 to July 28, 2017, B. Riley conducted extensive legal, business and financial diligence, Bidder A continued financial and business diligence on the Company and Bidder B conducted some limited business and financial diligence.

On July 3, 2017, Bidder A notified BofA Merrill Lynch of Bidder A's interest in seeking Company approval to contact an entity that had already executed a confidentiality agreement with the Company regarding a potential joint bid ("Potential Partner"). Bidder A also reaffirmed that it had no further comments on the draft merger agreement and requested exclusivity for 14 days, among other requests. On July 4, 2017, BofA Merrill Lynch updated the Committee via e-mail on its conversation with Bidder A and advised the Committee that Bidder A had been asked by BofA Merrill Lynch for additional information regarding Bidder A's intended sources of funding. The Committee agreed via email that Bidder A could contact Bidder A's Potential Partner.

On July 6, 2017, an issues list prepared by Bryan Cave at the instruction of the Committee with respect to Bidder B's mark-up of the draft merger agreement was circulated to Bidder B.

On July 9, 2017, outside legal counsel for B. Riley, Sullivan & Cromwell LLP ("Sullivan & Cromwell"), provided a mark-up of the draft merger agreement to Bryan Cave.

On July 10, 2017, the Committee held a telephonic meeting with representatives of BofA Merrill Lynch and Bryan Cave present. BofA Merrill Lynch reported on the status of the diligence process and communications with the three active bidders. Representatives from Bryan Cave provided an update on changes requested to the draft merger agreement by Bidder A. Representatives from Bryan Cave then presented to the Committee a legal analysis of the significant issues raised in the mark-up of the draft merger agreement provided by B. Riley. The Committee then discussed timing issues.

On July 11, 2017, at the direction of the Committee, representatives of BofA Merrill Lynch contacted each of B. Riley, Bidder A and Bidder B telephonically and informed them that best and final bids were due on July 20, 2017.

On July 12, 2017, Bidder A provided the Company with revised draft debt commitment papers.

On July 13, 2017, revised drafts of the merger agreement, debt commitment papers, equity commitment papers and limited guaranty were circulated to Bidder A. In addition, representatives of BofA Merrill Lynch met with Bidder B to discuss Bidder B's proposed financing for the potential transaction, in light of the non-standard nature of the documentation Bidder B had provided with respect to such proposed financing.

On July 14, 2017, Bryan Cave circulated a revised draft merger agreement between the Company and B. Riley to Sullivan & Cromwell.

On July 15, 2017, Bryant Riley contacted Mr. Howe to reaffirm B. Riley's interest in pursuing a transaction.

On July 17, 2017, the Committee held a telephonic meeting that included representatives of BofA Merrill Lynch, Bryan Cave and Yigal Arnon & Co., the Company's Israeli counsel ("Yigal Arnon"). Representatives of BofA Merrill Lynch provided an update on the process and the status of negotiations with each of B. Riley, Bidder A and Bidder B and the status of the due diligence process, and confirmed that all bidders had been notified that best and final bids are due on July 20, 2017. Representatives of BofA Merrill Lynch reviewed with the Committee information regarding both Bidder A and Bidder B and the Board and its advisors discussed Bidder A's and Bidder B's respective financial ability to consummate a transaction. Representatives from Bryan Cave presented to the Committee a legal analysis of the key issues raised in B Riley's initial mark-up of the draft merger agreement and Bidder A's revised draft debt commitment papers and an initial mark-up of the draft merger agreement, the significant differences between the two mark-ups of the draft merger agreement, and legal issues to be considered in connection with the closing of a transaction. A detailed summary of each party's respective positions relative to those of the Company was provided to the Committee in advance of the meeting. The Committee discussed the key terms of the mark-ups to the draft merger agreements provided by each of B. Riley and Bidder A and the overall bids submitted by each of the bidders. Representatives of Yigal Arnon discussed the issues under Israeli law surrounding the bids. The Committee instructed the Company's legal advisors to follow up with respect to these issues. Representatives of Yigal Arnon also discussed the fiduciary duties and responsibilities of the Committee and the full Board in connection with the evaluation of the bids. The Committee discussed approaches to encourage B. Riley to increase its bid price and to instruct Sullivan & Cromwell to work with Bryan Cave to resolve the outstanding legal issues.

On July 18, 2017, as requested by the Committee, Mr. Howe had conversations with each of Mr. Riley and Mr. Young of B. Riley to communicate the messaging provided by the Committee. On July 18, 2017, Bryan Cave circulated to the Committee updated materials which compared the key provisions of the mark-ups of the draft merger agreements received from B. Riley, Bidder A and Bidder B, and the positions of each of B. Riley and Bidder A relative to the positions being taken by the Company on key points.

On July 19, 2017, representatives from Bryan Cave and Yigal Arnon had a telephone conference with Bidder A and its Israeli counsel to discuss the structure for the transaction, including the financing. Bidder A and its Israeli counsel indicated that they would be providing comments to the transaction documents, including comments to the draft merger agreement. Later that day, Bidder A sent comments to the draft equity commitment letter and draft limited guaranty, and a revised draft merger agreement, indicating further comments from Bidder A's U.S. counsel would be provided at a later date. That same day, Bryan Cave and Sullivan & Cromwell engaged in high level discussions regarding the draft merger agreement.

On July 20, 2017, representatives of Bryan Cave had a telephone conference with a representative of Bidder A's U.S. counsel who conveyed to Bryan Cave that counsel had not reviewed the draft merger agreement and that they had not been engaged in connection with Bidder A's current bid. That same day, Bryan Cave representatives had a telephone conference with representatives of Bidder B's counsel to discuss at a high level the issues list with respect to the draft merger agreement.

Also on July 20, 2017, the Company received final proposals to acquire the entire Company from each of B. Riley, Bidder A and Bidder B. The bid from B. Riley was increased to $9.20 per ordinary share, all cash, and was not subject to any financing contingency. B. Riley did not submit a revised draft merger agreement but indicated it would do so by July 24, 2017. B. Riley asked for two weeks of exclusivity to complete its due diligence and finalize the documents and indicated its belief that it would be in a position to sign and announce a transaction by August 3, 2017. Bidder A reaffirmed its bid of $9.55 per ordinary share, all cash, and provided a draft of the merger agreement which the Company had been negotiating with Bidder A in November 2016. Bidder A did not provide a revised draft debt commitment letter. The bid from Bidder B was increased to $10.06 per ordinary share, all cash. Bidder B also provided comments to the issues list that had been previously distributed to Bidder B. Bidder B's bid remained subject to a financing contingency and Bidder B did not provide standard commitment papers from a financing source for the required financing but instead provided a revised term sheet for discussion purposes only from a potential financing source, which term sheet was conditioned on successful completion of diligence and did not include a number of provisions typical for a standard commitment letter.

On July 23, 2017, Sullivan & Cromwell distributed a revised mark-up of the draft merger agreement to Bryan Cave.

On July 24, 2017, the Committee held a telephonic meeting that included representatives of BofA Merrill Lynch, Bryan Cave and Yigal Arnon. Representatives of Bryan Cave presented to the Committee a legal analysis of the key issues raised in the mark-ups of the draft merger agreement provided by B. Riley, Bidder A and Bidder B. Representatives of Yigal Arnon discussed with the Committee its fiduciary duties and responsibilities in connection with the bids and the process and, in particular, discussed the fact that the Company's ability to seek specific performance against any potential purchaser was an important factor. The Committee engaged in an extensive discussion with the Company's senior management and financial and legal advisors about the strengths and weaknesses of each bid and the importance of both price per ordinary share and certainty of closing. In particular, the Committee expressed concern that Bidder A had yet to provide evidence of unconditioned, committed financing or proof of funds of its equity sponsor and noted the lack of comments to the revised debt commitment letter from Bidder A's financing source and the fact that Bidder A provided a draft of the merger agreement which the Company had been negotiating with Bidder A in November 2016. The Committee expressed concern that Bidder B did not have adequate financing to consummate the proposed transaction. Finally, the Committee expressed concern about B. Riley finalizing its diligence efforts in advance of the Company potentially entering into an exclusivity agreement with B. Riley. The Committee instructed BofA Merrill Lynch to contact each of B. Riley, Bidder A, and Bidder B with a list of specific issues that would need to be resolved before the Company could proceed to the next step in the process with each particular bidder.

Later that day, at the direction of the Committee, BofA Merrill Lynch spoke to Mr. Riley and Mr. Young of B. Riley and indicated that it would need to finalize its due diligence prior to any consideration of exclusivity by the Company and that a revised draft merger agreement would be provided to Sullivan & Cromwell by Bryan Cave the following day. Also on July 24, 2017, at the direction of the Committee, BofA Merrill Lynch contacted Bidder B in connection with Bidder B's potential financing and, that same day, Bidder B provided a draft letter from a potential financing source that provided that the potential financing source had the funds necessary to consummate the transaction and that such source was willing to provide such financing to Bidder B, subject to various non-standard conditions.

On July 25, 2017, representatives of BofA Merrill Lynch, at the direction of the Committee, contacted Bidder A by telephone and conveyed to Bidder A that it should engage U.S. counsel to review the draft merger agreement in order for the Company to have a full understanding of any issues Bidder A had with the draft merger agreement. Later that day, the Committee met telephonically with representatives of BofA Merrill Lynch, Bryan Cave and Yigal Arnon present. Representatives of BofA Merrill Lynch provided an update to the Committee on their communications with B. Riley, Bidder A and Bidder B. Representatives from Bryan Cave presented to the Committee a legal analysis of the key issues raised in the most recent mark-ups of the draft merger agreement provided by B. Riley, Bidder A and Bidder B (as modified by Bidder B's comments to the issues list), the significant differences among the three such mark-ups received, and certain legal issues, a detailed summary of which was provided to the Committee prior to the meeting. The Committee engaged in extensive discussion of the proposed price per ordinary share and the terms of the draft merger agreement for each bidder. The Committee discussed the fact that although B. Riley had the lowest price per ordinary share, based on its proposed draft merger agreement, B. Riley seemed to have the greatest certainty of closing, while Bidder B had the highest price per ordinary share but its bid seemed to have the least certainty of closing, especially in light of financing being a condition to closing. In addition, Bidder B had not provided any evidence of committed financing or any information which would allow the Company to evaluate the viability of its financing source. The Committee instructed BofA Merrill Lynch to provide Bidder A with a specific set of issues identified by the Committee which needed to be resolved by July 27, 2017, in order for Bidder A to advance in the process while representatives of BofA Merrill Lynch, Bryan Cave and Yigal Arnon continued to engage with each of B. Riley and Bidder B to try to resolve open issues.

Later that day, representatives of BofA Merrill Lynch, at the direction of the Committee, contacted Bidder A by telephone and identified specific items that needed to be addressed by July 27, 2017 in order for Bidder A to advance in the process.

On July 26, 2017, representatives of BofA Merrill Lynch, Bryan Cave, Bidder B and Bidder B's counsel conferred by telephone to discuss the issues identified by the Committee and to identify with specificity what Bidder B needed to do to increase the viability of its bid. Later that day, Bryan Cave distributed a revised draft merger agreement to Sullivan & Cromwell.

On July 27, 2017, representatives from Bryan Cave and Yigal Arnon had a telephone conference with Bidder A and its Israeli counsel to discuss Bidder A's proposal and the issues identified by the Committee. Later that day, Bidder A's Israeli counsel provided a revised draft merger agreement to Bryan Cave. Bryan Cave, Yigal Arnon, Bidder A and Bidder A's Israeli counsel then had another telephone conference to discuss the revised draft merger agreement. Later that day, Bidder A's Israeli counsel provided a further revised draft merger agreement.

On July 28, 2017, Bidder B provided the Company with a letter from Bidder B's potential financing source indicating that Bidder B had been made "a beneficiary" of up to $150 million in funds for the sole purpose of paying the aggregate merger consideration to acquire the Company that would be released to Bidder B subject to certain conditions. The letter indicated that proof of funds for any portion of the purchase price in excess of $150 million would be provided at the time that Bidder B "won the bid."

Also on July 28, 2017, the Committee held a telephonic meeting with representatives of BofA Merrill Lynch, Bryan Cave and Yigal Arnon present. The remaining members of the Board who are not members of the Committee attended the Committee meeting in order to participate in the discussion of the status of the various bids. Mr. Bell informed the Committee that he had a prior professional relationship with B. Riley in that B. Riley provided advisory services to a prior company for which Mr. Bell had led a strategic process. Yigal Arnon led the Committee in a discussion of Mr. Bell's prior professional relationship with B. Riley and the Committee concluded that Mr. Bell did not have a conflict of interest (or personal interest as defined under Israeli law). Mr. Howe then advised the Committee of the professional relationship that he has with each of Mr. Young and Mr. Riley. Yigal Arnon led the Committee in a discussion of Mr. Howe's professional relationship with B. Riley and the Committee concluded that Mr. Howe did not have a conflict of interest (or personal interest as defined under Israeli law). A representative of

BofA Merrill Lynch then presented to the Committee an overview of the process to date. Prior to the meeting, Bryan Cave had distributed to the Committee an updated summary of the significant issues raised in the mark-ups of the draft merger agreements provided by the three bidders, and the important differences among such mark-ups. The Committee and those members of the Board not on the Committee had an extensive discussion with the Company's senior management and financial and legal advisors concerning the issues with each of the three bids. The Committee discussed that both the price per ordinary share and the certainty of closing were important factors in evaluating the bids. The Committee concluded that given the uncertainty related to the financing of both Bidder A and Bidder B, the relative terms of the proposed merger agreements from each of Bidder A and Bidder B and the higher certainty of closing with B. Riley, the Committee would recommend to the Board that it enter into exclusivity with B. Riley for a period of seven days, subject to B. Riley's agreeing to increase its price per ordinary share and the resolution of three legal issues in the definitive documentation which all focused on increasing the Company's certainty of closing.

Immediately following the Committee meeting on July 28, 2017, the Board held a telephonic meeting at which representatives of BofA Merrill Lynch, Bryan Cave and Yigal Arnon were present. Upon the recommendation of the Committee, the Board approved the Company entering into an exclusivity agreement with B. Riley, subject to conditions identified by the Committee. Also, the Board instructed BofA Merrill Lynch to provide Bidder A with the opportunity to address certain issues necessary to give the Company sufficient comfort that Bidder A might proceed in the process during the pendency of B. Riley considering the Company's conditions to the exclusivity agreement. Later that day, BofA Merrill Lynch informed Bidder A of the issues it needed to address by July 29, 2017 in order to continue in the process and contacted B. Riley and conveyed the conditions for exclusivity. Sullivan & Cromwell then contacted Bryan Cave for clarification and discussion of the legal issues in the conditions for exclusivity.

On July 29, 2017, B. Riley contacted representatives of BofA Merrill Lynch with respect to the conditions to exclusivity and Sullivan & Cromwell sent Bryan Cave revised provisions of the draft merger agreement with agreed upon language with respect to the identified legal issues. B. Riley declined to increase its offered price per ordinary share. From July 29, 2017 through July 30, 2017, Bryan Cave and Sullivan & Cromwell negotiated the provisions of the merger agreement applicable to the legal issues that the Company had identified as conditions to entering into the exclusivity agreement, which were resolved.

On July 30, 2017, the Board held a telephonic meeting at which representatives of BofA Merrill Lynch, Bryan Cave and Yigal Arnon were present. The BofA Merrill Lynch representative reported to the Board that the legal issues identified by the Committee had been addressed but that B. Riley had declined to increase its offer per ordinary share. Prior to the meeting, Bryan Cave circulated to the Board updated materials which provided an overview of key issues in bids from Bidder A, Bidder B and B. Riley, and an updated summary of the significant issues raised in the mark-ups of the draft merger agreement provided by the three bidders, the important differences among the three merger agreement mark-ups and a comparison of each bidder's position on certain key issues with the Company's position. Bryan Cave reported on the discussions with Sullivan & Cromwell and noted that while there were still a number of provisions in the draft merger agreement to be resolved, the legal items outlined by the Board as conditions to exclusivity had been resolved. Representatives of BofA Merrill Lynch then reported to the Board the status of Bidder A's bid and the fact that Bidder A failed to provide any of the requested information. The Board discussed the issues related to Bidder A's bid. After discussion, the Board concluded that the bids of Bidder A and Bidder B were subject to significant uncertainty. The Board then deliberated on B. Riley's ability to finance the transaction based on B. Riley's publicly available reports and financial statements. After considering the terms of each of the bids, the importance of certainty of closing and the likelihood of reaching a definitive agreement with each of the bidders, the Board authorized the Company to enter into an exclusivity agreement with B. Riley for a period of seven days, expiring at 5:00 p.m. Eastern Time on August 7, 2017. Upon instruction by the Board, BofA Merrill Lynch informed B. Riley of the Board's decision and Bryan Cave provided Sullivan & Cromwell with a draft exclusivity agreement.

Later that day, Bidder A provided revised debt commitment papers but did not respond to the other issues which the Company had asked Bidder A to address. The Company and B. Riley entered into an exclusivity agreement on July 30, 2017.

On July 31, 2017, representatives of BofA Merrill Lynch informed both Bidder A and Bidder B that the Company had entered into an exclusivity agreement with another party.

On August 1, 2017, Sullivan & Cromwell submitted a revised merger agreement to Bryan Cave and representatives of those firms discussed the draft merger agreement. Also on August 1, 2017, the Board held a regularly scheduled in-person board meeting with representatives of BofA Merrill Lynch, Bryan Cave and Yigal Arnon present for portions of that meeting. Representatives of each of BofA Merrill Lynch and Bryan Cave provided an update on the status of the proposed transaction and discussions with B. Riley and Sullivan & Cromwell, respectively.

On August 2, 2017, Sullivan & Cromwell circulated to Bryan Cave a revised draft merger agreement as well as additional due diligence requests. Later that day, representatives of Bryan Cave, Yigal Arnon, Sullivan & Cromwell

and Gross, Kleinhendler, Hodak, Halevy, Greenberg and Co. (B. Riley's Israeli counsel) ("GKH") had a telephone call regarding the draft merger agreement. During the period of August 2, 2017 through August 4, 2017, the Company and Bryan Cave continued to respond to legal due diligence questions from B. Riley and Sullivan and Cromwell.

On August 4, 2017, Mr. Young of B. Riley contacted representatives of BofA Merrill Lynch to highlight and discuss certain issues that B. Riley had identified that would need to be addressed in the draft merger agreement. Later that day, Bryan Cave circulated a revised merger agreement to Sullivan & Cromwell.

On August 5, 2017, Sullivan & Cromwell circulated a revised draft merger agreement to Bryan Cave. Over the course of that day, Bryan Cave and Sullivan & Cromwell negotiated the terms of the draft merger agreement.

Over the course of August 6, 2017 and August 7, 2017, Mr. Howe, on behalf of the Company, and Mr. Young, on behalf of B. Riley, discussed open items in the draft merger agreement between the Company and B. Riley.

On August 7, 2017, the Board held a telephonic meeting, with representatives of BofA Merrill Lynch, Bryan Cave and Yigal Arnon present. BofA Merrill Lynch, Bryan Cave and Yigal Arnon each updated the Board with respect to developments over the preceding week. BofA Merrill Lynch summarized the status of negotiations with B. Riley and the open items which B. Riley had identified as necessary to resolve before B. Riley could proceed with further negotiations. Representatives from Bryan Cave reviewed for the Board the materials distributed to the Board prior to the meeting, which compared B. Riley's position and the Company's position on the key provisions of the draft merger agreement and the status of negotiations. The Board considered extending exclusivity in order to finalize the outstanding items in the draft merger agreement, and ultimately determined to do so, subject to the resolution of one outstanding issue. Later that day, BofA Merrill Lynch, as directed by the Board, contacted B. Riley to inform B. Riley that the Company would extend exclusivity in the event that the parties reached resolution on the key issue outstanding in the draft merger agreement. Agreement was reached on this point and the Company and B. Riley entered into an extension of the exclusivity agreement through August 14, 2017.

On August 8, 2017, Bryan Cave and Sullivan & Cromwell engaged in further negotiations with respect to the draft merger agreement and, on August 9, 2017, Bryan Cave circulated a revised draft merger agreement to Sullivan & Cromwell.

On August 10, 2017, Sullivan & Cromwell submitted a revised draft of the merger agreement to Bryan Cave, and Sullivan & Cromwell and representatives from Bryan Cave thereafter engaged in ongoing negotiations with respect to the draft merger agreement. From August 10, 2017 to August 12, 2017, B. Riley and Sullivan & Cromwell continued to engage in legal, business and financial diligence and the Company and its legal and financial advisors responded to various diligence inquiries. Also on August 10, 2017, Mr. Young contacted Mr. Howe to alert the Company to a structural issue identified by B. Riley that could impact the timing and/or certainty of the potential transaction.

On August 12, 2017, Bryan Cave circulated a revised draft merger agreement to Sullivan & Cromwell. Also on that day, representatives of B. Riley conferred with Company management regarding the recently identified transaction structural issue. Later that day, B. Riley informed the Company by telephone that B. Riley would not be able to proceed with the proposed transaction at such time due to certain structuring considerations.

On August 13, 2017, the Board held a telephonic meeting with representatives of BofA Merrill Lynch, Bryan Cave and Yigal Arnon present. The Board was advised of the communications from B. Riley about the recently identified structural issue and B. Riley's inability to proceed with a transaction with the Company at such time subject to further work in respect of this issue. The Board was advised that B. Riley had inquired about the possibility of re-structuring the transaction as an asset purchase. The Board discussed this and then requested that each of Bryan Cave and Yigal Arnon complete a preliminary analysis of the consequences of an asset purchase structure for the Company. The Board then discussed re-engaging with each of Bidder A and Bidder B and determined that given the concerns over Bidder B's financing as well as the conditionality of its offer, the Company should not re-engage with Bidder B. The Board instructed BofA Merrill Lynch to contact Bidder A, once exclusivity with B. Riley expired on August 14, 2017, to determine whether Bidder A would like to re-engage in discussions with the Company about a potential transaction.

During the period of August 13, 2017 through August 17, 2017, the Company and B. Riley remained in contact and the Company was advised that B. Riley remained interested in a possible transaction and was working on a revised structure to accommodate the issue.

On August 14, 2017, representatives of BofA Merrill Lynch had a call with principals from Bidder A and informed them that the Company was no longer under exclusivity and inquired as to whether Bidder A remained interested in a potential transaction with the Company. Bidder A indicated that, while it remained interested in a potential transaction and would like to meet with the Company, the previously contemplated financing was no longer available as originally structured.

During the period of August 17, 2017 through September 25, 2017, B. Riley continued to engage in business and financial diligence of the Company and the Company and its financial advisors responded to various diligence inquiries, including in connection with a potential new transaction structure. On August 18, 2017, the Company was advised by B. Riley that B. Riley remained committed to exploring alternatives to the merger structure originally contemplated, and that B. Riley's tax and legal advisors had been instructed to explore the issues related to an asset purchase structure.

On August 31, 2017, members of the Committee met telephonically and in-person with principals from Bidder A as well as Bidder A's equity sponsor. Representatives of BofA Merrill Lynch were also present at the meeting. The Committee and Bidder A agreed that, in exchange for the Company's reimbursing Bidder A for certain transaction expenses during a limited window, Bidder A and its debt financing source would engage in the necessary legal, financial and business due diligence in order for Bidder A to move forward with its bid of $9.55 per ordinary share and secure committed financing and Bidder A would engage U.S. counsel to work to finalize the merger agreement that had been distributed on July 27, 2017.

Between September 1, 2017 and September 7, 2017, BofA Merrill Lynch, acting at the direction of the Company, and Bidder A negotiated certain terms of Bidder A's proposed bid.

On September 7, 2017, the Committee held a telephonic meeting with representatives of BofA Merrill Lynch, Bryan Cave and Yigal Arnon present. The Committee and its advisors discussed the key terms now proposed by Bidder A, including the amounts of the Company termination fee and Parent termination fee, as well as the terms of the proposed expense reimbursement agreement. The Committee received an update on the status of B. Riley's further work on a possible proposal for a revised transaction structure.

Members of the Committee considered Bidder A's proposal from September 7, 2017 to September 8, 2017. On September 8, 2017, the Company provided Bidder A with a draft expense reimbursement agreement. From September 8, 2017 through September 15, 2017, the Company and Bidder A, together with their respective advisors, negotiated the expense reimbursement agreement, which was executed by each of the Company and Bidder A, respectively, on September 18, 2017.

On September 18, 2017, the Committee held a telephonic meeting with representatives of BofA Merrill Lynch, Bryan Cave and Yigal Arnon present. The Committee received an update from representatives of BofA Merrill Lynch on the status of Bidder A's due diligence and on the status of B. Riley's work to date regarding the possible proposal for a revised transaction structure. Mr. Fuller noted that B. Riley had requested that Mr. Riley be given the opportunity to address the Committee directly. Later that day, representatives of Bryan Cave and Yigal Arnon had a telephone conference with Bidder A, Bidder A's Israeli counsel and Bidder A's debt financing source and its counsel regarding the due diligence process, which Bidder A's debt financing source was beginning.

On September 25, 2017, the Committee held a telephonic meeting with representatives of BofA Merrill Lynch, Bryan Cave and Yigal Arnon present. Representatives from Bryan Cave and Yigal Arnon provided an update regarding the diligence call with Bidder A and its advisors held on September 18, 2017, noting that Bidder A's U.S. counsel had not

participated in the call and that Bidder A's debt financing source had not yet started diligence. The Committee discussed the slow pace of Bidder A's due diligence and whether the draft merger agreement provided by Bidder A on July 27, 2017 fully reflected the terms under which Bidder A was prepared to consummate a transaction given that Bidder A's U.S. counsel had not been involved. After discussion with the Company's advisors, the Committee instructed Bryan Cave to provide Bidder A with mark-ups of the draft merger agreement, debt commitment papers, equity commitment letter and limited guaranty to try to ascertain if Bidder A was going to have further legal comments. The Committee then discussed timing for signing a potential transaction with Bidder A and requested that BofA Merrill Lynch convey to Bidder A that it needed to complete diligence and be in a position to sign definitive transaction documents by October 4, 2017. The Committee also received an update from representatives of BofA Merrill Lynch on the status of B. Riley's due diligence to date and a possible proposal for a revised transaction structure. The Committee requested that Mr. Howe reach out to Mr. Young to set a time for a meeting between Mr. Riley and members of the Committee as requested by Mr. Riley.

On September 28, 2017, at the direction of the Committee, Bryan Cave distributed comments to the draft merger agreement received from Bidder A's Israeli counsel on July 27, 2017, and comments to the draft debt commitments papers received from Bidder A on July 30, 2017, to Bidder A, Bidder A's U.S. and Israeli counsel and counsel for Bidder A's equity sponsor.

On October 2, 2017, Bryan Cave contacted Bidder A's U.S. counsel to inquire about the status of comments to the transaction documents. Bidder A's U.S. counsel responded that it was working through the documents and would revert with any questions. Later that day, the Committee held a telephonic meeting with representatives of BofA Merrill Lynch, Bryan Cave and Yigal Arnon present. The Committee received an update from representatives of BofA Merrill Lynch on the status of Bidder A's due diligence to date and on the status of a potential transaction with B. Riley. The Committee discussed the upcoming call scheduled with the Committee and Mr. Riley and what they hoped to accomplish from such a call. Representatives from Bryan Cave provided an update to the Committee on the legal diligence requests which Bryan Cave had received from Bidder A's U.S. counsel as well as the status of the draft transaction documents which had been sent to Bidder A's counsel the previous week. Also on October 2, 2017, Bidder A's Potential Partner executed a letter stating that it would be deemed to be a joint venture partner of Bidder A, but would remain subject to its existing confidentiality agreement with the Company.

On October 3, 2017, Bryan Cave distributed comments to the draft equity commitment letter and limited guaranty received from Bidder A on July 19, 2017 to Bidder A, Bidder A's U.S. and Israeli counsel and counsel for Bidder A's equity sponsor. That same day, members of the Committee, together with representatives of BofA Merrill Lynch, had a telephonic meeting with Mr. Riley and Mr. Young during which Mr. Riley affirmed his continued desire to consummate a transaction with the Company. Members of the Committee also spoke with representatives of BofA Merrill Lynch regarding BofA Merrill Lynch's contacting Bidder B to inquire whether Bidder B remained interested in a potential transaction with the Company, and, if so, to inquire about the status of Bidder B's financing.

From October 4, 2017 through October 26, 2017, Bidder A, its advisors and its debt financing source and their respective advisors periodically engaged in legal, business and financial diligence of the Company and the Company, BofA Merrill Lynch and Bryan Cave periodically responded to additional due diligence requests from Bidder A and its advisors.

On October 5, 2017, the Committee approved extending the existing term of the expense reimbursement agreement with Bidder A to October 11, 2017, in light of the increased commitment shown by Bidder A to complete its due diligence of the Company.

On October 6, 2017, Bryan Cave circulated an executed amendment to the expense reimbursement agreement to Bidder A's U.S. legal counsel. Also on October 6, 2017, B. Riley sent the Company a draft term sheet setting out the proposed terms for a purchase of substantially all of the assets of the Company.

On October 9, 2017, the Committee held a telephonic meeting with representatives of BofA Merrill Lynch, Bryan Cave and Yigal Arnon present. The Committee received an update from representatives of BofA Merrill Lynch on the status of Bidder A's due diligence and representatives from Bryan Cave updated the Committee on the status of the draft transaction documents with Bidder A. The Committee, Company senior management and the Company's advisors then had a discussion of the terms of B. Riley's proposed asset purchase transaction, including, among other things, the implied price per ordinary share of such proposed transaction, the retention of liabilities, the need for court approval in Israel for such proposed transaction and subsequent distribution to shareholders and the tax implications for Company shareholders. After extensive discussion, the Committee determined that the proposed structure would likely not return adequate value to shareholders and instructed Mr. Fuller to contact Mr. Young to discuss the Company's concerns with the revised structure and explore the possibility of B. Riley acquiring 100% of the Company through a merger. Representatives of BofA Merrill Lynch also reported to the Committee that, as requested by the Committee, they had contacted Bidder B, and Bidder B had reiterated its interest in pursuing a transaction with the Company and requested that its access to the data room be restored. The Committee instructed BofA Merrill Lynch to

communicate to Bidder B that it would need to revise its proposed transaction documents and obtain committed financing before such access to the data room would be restored.

During the period of October 9, 2017 through October 11, 2017, Mr. Young contacted Mr. Howe to explore the feasibility of an asset acquisition by B. Riley.

During the period of October 11, 2017 through October 13, 2017, representatives of BofA Merrill Lynch and Bryan Cave contacted Bidder A and Bidder A's U.S. counsel, respectively, to inquire about the status of diligence and the draft transaction documents.

At the instruction of the Committee, on October 11, 2017, Mr. Fuller had a telephone call with Mr. Young to discuss the concerns that the Company had with an asset structure. In light of the concerns expressed, Mr. Fuller conveyed that the Company would like B. Riley to reconsider a bid to acquire the Company through a merger, with any structuring costs to B. Riley factored into any revised bid that B. Riley might make. Mr. Young indicated that B. Riley would be amenable to exploring a bid for the entire Company again.

On October 12, 2017, Bidder A provided Bryan Cave a fully executed amendment to the expense reimbursement agreement.

On October 17, 2017, at the request of members of the Committee, representatives of BofA Merrill Lynch met with Bidder B to discuss whether Bidder B remained interested in a possible transaction with the Company and whether Bidder B would reaffirm its bid of $10.06 per ordinary share and to inquire whether Bidder B had the necessary committed financing to support its bid. Bidder B indicated to BofA Merrill Lynch that it remained interested in a possible transaction with the Company and reaffirmed its bid of $10.06 per ordinary share. Bidder B said that it continued to work on financing for a possible transaction and would provide financing documentation to BofA Merrill Lynch in approximately one week.

On October 19, 2017, Mr. Riley contacted Mr. Howe to indicate that B. Riley would be submitting a revised bid to acquire the Company through a merger.

On October 23, 2017, B. Riley submitted to the Company a revised bid of $8.50 per ordinary share to acquire 100% of the Company through a merger.

On October 25, 2017, Bidder A's U.S. counsel circulated a revised draft merger agreement which contained extensive comments, including items which had been previously discussed and agreed upon by each of the Company and Bidder A. Later that day, the Committee held a telephonic meeting with representatives of BofA Merrill Lynch, Bryan Cave and Yigal Arnon present. The Committee, together with the Company's financial and legal advisors, discussed B. Riley's revised bid and whether, from a financial perspective, it provided an adequate return of value to the Company's shareholders as compared to the risks and challenges to the Company in executing its strategic plan if it remained independent. Representatives from Bryan Cave presented to the Committee a legal analysis of the key issues raised in the mark-up of the draft merger agreement provided by Bidder A, including increased conditionality to closing. The Committee agreed that Bidder A should be given a deadline of October 27, 2017 to submit comments to all transaction documents, including debt and equity commitment papers, and instructed BofA Merrill Lynch and Bryan Cave to convey this message to Bidder A and Bidder A's U.S. counsel, respectively. The Committee also discussed and agreed that Mr. Fuller should reach out to Mr. Young to convey that the Committee was considering a higher bid and that the Committee had a meeting scheduled for October 30, 2017, after which they would provide B. Riley with formal feedback. Each of BofA Merrill Lynch, Bryan Cave and Mr. Fuller subsequently conveyed the requested messages to each of Bidder A, Bidder A's U.S. counsel and Mr. Young, respectively.

On October 27, 2017, Bidder A's U.S. counsel circulated revised drafts of the equity commitment letter and the limited guaranty to Bryan Cave. Bidder A did not provide a revised draft of the debt commitment papers.

On October 30, 2017, the Committee held a telephonic meeting with representatives of BofA Merrill Lynch, Bryan Cave and Yigal Arnon present. Representatives from Bryan Cave reviewed for the Board the highlights from the

materials distributed to the Board prior to the meeting, which compared the Company's position and Bidder A's position as reflected in Bidder A's July 27, 2017 mark-up provided by its Israeli legal counsel as well as Bidder A's October 25, 2017 mark-up provided by its U.S. legal counsel on the key provisions of the draft merger agreement. The Committee extensively discussed with the Company's management as well as its legal and financial advisors the significant issues with the draft merger agreement received from Bidder A as well as the fact that Bidder A had still not provided acceptable evidence of committed financing. The Committee also discussed whether the price per ordinary share offered by B. Riley provided an adequate return of value to the Company's shareholders, from a financial perspective, as compared to the risks and challenges to the Company in executing its strategic plan if it remained independent. The Committee determined that Bidder A should be told that it needed to deliver evidence of committed financing or it would no longer be allowed to participate in the formal transaction process and that Mr. Bell should meet with Mr. Riley and Mr. Young to discuss the price per share offered by B. Riley.

On October 31, 2017, Mr. Bell had a telephone conversation with the principals from Bidder A and Bidder A's equity sponsor during which the status of Bidder A's financing, the conditionality of Bidder A's financing and Bidder A's failure to meet deadlines throughout the process was discussed. Mr. Bell conveyed to Bidder A that it needed to deliver evidence of committed financing no later than November 2, 2017, if it wanted to remain a participant in the formal transaction process.

On November 2, 2017, Mr. Bell met with Mr. Riley and M. Young. They discussed B. Riley's proposed $8.50 price per ordinary share and Mr. Bell indicated that B. Riley needed to improve its proposal to be competitive. After Mr. Bell left the meeting, Mr. Riley called Mr. Bell to indicate that B. Riley was prepared to offer $8.71 per share on the same terms and conditions as B. Riley had previously negotiated in August, so long as B. Riley had the ability to assign the merger agreement to an affiliate, and requested six days of exclusivity with the Company to complete negotiations and finalize a potential transaction. Also on November 2, 2017, representatives from Bidder A's U.S. counsel had a telephone call with Bryan Cave during which Bidder A's U.S. counsel previewed the terms of Bidder A's revised bid, including a price of $9.00 per ordinary share, certain new financial conditions for the debt and equity commitments and proposed new conditions to closing. Later that night, Bidder A's U.S. counsel sent a revised draft merger agreement and draft debt commitment papers to Bryan Cave. Also that night, Bidder A's equity sponsor called representatives of BofA Merrill Lynch to inform them of the terms of Bidder A's revised bid, including a further price reduction to $8.50 per ordinary share if the Company did not want to have the proposed transaction subject to the outlined additional conditions to closing proposed by Bidder A in its revised bid.

On November 3, 2017, the Committee held a telephonic meeting with representatives of BofA Merrill Lynch, Bryan Cave and Yigal Arnon present. The Committee extensively discussed with the Company's senior management as well as its legal and financial advisors the fact that Bidder A's bid of $9.00 per ordinary share was subject to several closing conditions that would ultimately make consummating a transaction very difficult and, consequently, Bidder A's bid of $8.50 per ordinary share was a better comparison to use when evaluating Bidder A's bid and B. Riley's bid of $8.71 per ordinary share. The Committee determined, based on the relative price per ordinary share being offered by each of B. Riley and Bidder A, as well as the terms of the draft merger agreement from each of B. Riley and Bidder A, to recommend to the Board that the Board authorize the Company to enter into exclusivity with B. Riley through November 7, 2017 to finalize the merger agreement. Immediately following the Committee meeting, the Board held a telephonic meeting with members of the Company's senior management and representatives of BofA Merrill Lynch, Bryan Cave and Yigal Arnon to extensively discuss the fact that Bidder A's bid of $9.00 per ordinary share was subject to several closing conditions that would ultimately make consummating a transaction very difficult and, consequently, Bidder A's bid of $8.50 per ordinary share was a better comparison to use when evaluating Bidder A's bid, and B. Riley proposed bid of $8.71 per ordinary share. The Board authorized, based on the relative price per ordinary share being offered by each of B. Riley and Bidder A, as well as the terms of the draft merger agreement from each of B. Riley and Bidder A, the Company to enter into an exclusivity agreement with B. Riley through November 7, 2017, in order to finalize the merger agreement.

After the meeting, Bryan Cave circulated an exclusivity agreement to Sullivan & Cromwell and the parties executed the agreement, agreeing to exclusivity through 5:00 p.m., Eastern Time, on November 7, 2017. Also on November 3, 2017, Sullivan & Cromwell circulated to Bryan Cave a revised draft merger agreement, reflecting changes to the draft merger agreement distributed to Sullivan & Cromwell by Bryan Cave on August 12, 2017, and representatives from Bryan Cave and Yigal Arnon thereafter engaged in ongoing negotiations with Sullivan & Cromwell and GKH, respectively, through the evening of November 7, 2017, with respect to the draft merger agreement.

On November 7, 2017, the Audit Committee of the Board met in person at the offices of Bryan Cave for a regularly scheduled meeting, at which the Audit Committee discussed the interests of the Company's directors and executive officers in the merger transaction, more fully described in "—Interests of Our Directors and Executive Officers in the Transaction" beginning on page 52, as well as the various factors more fully described in "—Recommendation of the Board; Reasons for the Transaction" beginning on page 38. After discussion and in light of the reasons considered, the Audit Committee unanimously determined to approve and recommend to the Board the execution, delivery, and performance by the Company of the proposed merger agreement with B. Riley and the consummation by the Company of the transactions contemplated thereby, including the Merger.

Later that day, the Board met in person for a regularly scheduled meeting. Representatives of BofA Merrill Lynch, Bryan Cave and Yigal Arnon attended a portion of the meeting. A detailed summary regarding the terms of the proposed merger agreement with B. Riley was distributed to the Board in advance of the meeting. Representatives from Bryan Cave reported to the Board that substantial progress had been made in negotiations with B. Riley and Sullivan & Cromwell and that all material issues had been resolved but that transaction documents were not yet final. Representatives from Yigal Arnon then reviewed the Board's fiduciary duties in connection with the potential sale of the Company. Bryan Cave summarized, among other things, certain obligations, conditions and termination rights related to obtaining regulatory approvals under the proposed merger agreement. Bryan Cave also discussed the termination fee applicable in situations in which the transaction was made the subject of competitive bids from third parties or in which the Board withdrew the Board recommendation supporting the transaction. The Board discussed the terms of the proposed merger agreement and engaged in a discussion regarding the risks and challenges to the Company in executing its strategic plan if it remained independent. The Board also discussed the various factors more fully described below under "—Recommendation of the Board; Reasons for the Transaction" beginning on page 38. Representatives of BofA Merrill Lynch then reviewed and discussed with the Board certain financial analysis with respect to the consideration of $8.71 per ordinary share summarized under "—Opinion of BofA Merrill Lynch" beginning on page 41. The Board agreed to reconvene the following day to further discuss the transaction.

During the afternoon of November 8, 2017, the Board held a telephonic meeting with representatives of BofA Merrill Lynch, Bryan Cave and Yigal Arnon present. A detailed summary regarding the final terms of the proposed merger agreement was distributed to the Board in advance of the meeting. Representatives from Bryan Cave noted that, while all material issues had been resolved and there had been no material changes to the proposed merger agreement since the previous Board meeting, transaction documents were not yet final. The directors continued their discussion from the previously held Board meeting of the proposed merger agreement and engaged in a discussion regarding the risks and challenges to the Company in executing its strategic plan if it remained independent. The Board also further discussed the various factors more fully described in "—Recommendation of the Board; Reasons for the Transaction" beginning on page 38. Representatives of BofA Merrill Lynch then reiterated the financial analysis provided to the Board at the prior meeting with respect to the consideration of $8.71 per share and rendered an oral opinion to the Board, which was confirmed by delivery of a written opinion, dated November 8, 2017, to the effect that, as of that date, and based upon and subject to various assumptions and limitations described in its opinion, the consideration of $8.71 in cash to be received by holders of each ordinary share was fair, from a financial point of view, to such holders, which is summarized in "—Opinion of BofA Merrill Lynch" beginning on page 41. After discussion with the Company's financial and legal advisors, the Board unanimously (i) determined that the Merger is fair to, and in the best interest of, the Company and shareholders, and that, considering the financial position of the merging companies, no reasonable concern exists that the surviving corporation will be unable to fulfill the obligations of the Company to its creditors as such become due and payable following the consummation of the Merger, and that it is in the best interests of the Company and shareholders for the Company to enter into the proposed merger agreement (subject to the resolution of certain minor contractual provisions), (ii) approved, declared advisable, adopted, and authorized the execution, delivery, and performance by the Company of the proposed merger agreement and the consummation by the Company of the Transaction contemplated thereby, including the Merger, and (iii) upon the terms and subject to the conditions set forth in the proposed merger agreement, resolved to recommend that the Company's shareholders vote in favor of the Merger Proposal.

Throughout the day and during the evening of November 8, 2017, Bryan Cave and Yigal Arnon, and Sullivan & Cromwell and GKH, respectively, continued to discuss the proposed merger agreement and resolved the final unresolved provisions of the proposed merger agreement to the satisfaction of their respective clients.

On November 9, 2017, the Company and B. Riley executed the Merger Agreement. At approximately 8:05 a.m., Eastern Time, on November 9, 2017, the parties issued a joint press release announcing the Transaction.

Recommendation of the Board; Reasons for the Transaction

At an extraordinary general meeting of the Board held on November 8, 2017, the Board, after receiving and reviewing all the relevant information that the Board considered necessary or appropriate in connection with its consideration of the Transaction and the Merger Agreement, and after careful review of the facts and circumstances relating to the Transaction, including the efforts of the Committee in developing the material terms of the Transaction with the assistance of the Company's advisors, and, as appropriate, senior management of the Company and receiving the opinion of BofA Merrill Lynch that the Per Share Merger Consideration to be paid to the holders of the Company's ordinary shares was fair, from a financial point of view and as of the date of the opinion, to such holders, determined that the Merger Agreement was in the best interests of the shareholders of the Company, and that, considering the financial position of the merging companies, no reasonable concern existed that the Surviving Corporation will be unable to fulfill the obligations of the Company to its creditors as such become due and payable following the consummation of the Transaction, approved and declared the advisability of the Merger Agreement and the Merger, authorized the Company to enter into the Merger Agreement and resolved to recommend to the Company's shareholders that they vote to adopt the Merger Agreement and the terms of the Merger.

In reaching its determination, the Board considered:

Premium to Market Price. The Board considered the relationship of the Per Share Merger Consideration to the current and historical market prices of the Company's shares and to the Company's intrinsic value. The Per Share Merger Consideration to be paid in cash for each share of the Company would provide shareholders of the Company with the opportunity to receive a premium over the current and historical market price of the Company's shares. The Board reviewed historical market prices, volatility and trading information with respect to the shares, including the fact that the Per Share Merger Consideration of $8.71 represents:

- a premium of approximately 54.2% over the closing price per share of Company shares on the NASDAQ Global Select Market on November 8, 2017, the trading day before the execution of the Merger Agreement;

- a premium of approximately 18.5% over the closing price per share of Company shares on the NASDAQ Global Select Market on March 14, 2017, the trading day before the Company announced it was exploring strategic alternatives; and

- a premium of approximately 23.6% over the 90-day average closing price of the Company's ordinary shares for the period ended November 7, 2017.

Certainty of Value. The Board considered that the consideration to be received by the Company's shareholders in the Transaction will consist entirely of cash, which provides liquidity and certainty of value to shareholders. The Board believed this certainty of value was compelling compared to the long-term value creation potential of the Company's business taking into account the risks of remaining independent and pursing the Company's current business and financial plans. The Board also considered the degree of risk and uncertainty associated with various proposed or potential transaction structures, specifically considering factors such as regulatory approvals and financing commitments. The Board discussed uncertainty around reaching an acceptable deal with the two alternative bidders who participated in the auction process, one of whom offered a higher per share purchase price compared to that of Parent, particularly as it related to each of those alternative bidders' ability to finance the transaction and the proposed terms of a merger agreement being less favorable than those of the Merger Agreement, especially as they related to certainty of closing. The Board believed that it was unlikely to reach a definitive merger agreement with either of the two alternative bidders and therefore the consideration offered by such alternative bidders did not represent the highest value reasonably obtainable for the Company's shares.

38

The Prospects of the Company. The Board considered the Company's prospects and risks if the Company were to remain an independent company. The Board discussed the Company's current business and financial plans, including the risks and uncertainties associated with achieving and executing upon the Company's business and financial plans in the short- and long-term, as well as the general risks of market conditions that could reduce the price of the Company's shares. Among the potential risks identified by the Board were:

- the Company's ability to successfully distribute and commercialize new products;

- the Company's ability to grow organically and through acquisitions;

- the competitive nature of the Company's industry and target markets; and

- general risks and market conditions that could reduce the market price of the Company's shares.

Potential Strategic Alternatives. The Committee and the Board extensively considered possible alternatives to the acquisition by Parent (including the sale of only the Broadsmart division of the Company and the possibility of continuing to operate the Company as an independent entity, and the desirability and perceived risks of those alternatives), potential benefits to the Company's shareholders of such alternatives and the timing and likelihood of effecting such alternatives, as well as the Board's assessment that, among other things, given the comprehensive nature of the auction process run by the Committee leading up to the execution of the Merger Agreement, none of these alternatives was reasonably likely to create greater value for the Company's shareholders, taking into account risks of execution as well as business, competitive, industry and market risks. The Board also considered the risk that Parent could withdraw its proposal if the Company delayed in proceeding with Parent's bid.

Value. The Board believed that the Per Share Merger Consideration of $8.71 represented full and fair value for the Company's shares, taking into account the Company's intrinsic value, the auction process that the Company followed prior to signing the Merger Agreement and the Board's familiarity with the business strategy, assets and prospects, and the relative certainty of the consideration in cash as compared to forecasted financial results.

Negotiations with Parent and Terms of the Merger Agreement. The Board believed that the Per Share Merger Consideration represented the highest value reasonably obtainable for the Company's shares, based on the progress and outcome of its negotiations with Parent and the auction process preceding the signing of the Merger Agreement, especially given the absence of a financing condition and the high certainty of closing, as compared to the alternatives which were negotiated and discussed in the auction process. In particular, the Board believed, based on these negotiations and discussions, and after obtaining all the information which it deemed to be necessary for the purpose thereof, that it was unlikely to reach a definitive merger agreement with either of the two alternative bidders that participated in the auction process and therefore the consideration offered by such alternative bidders (one of which was higher than the purchase price offered by Parent) did not represent the highest value reasonably obtainable for the Company's shares. The considerations that the Board took into account in reaching such determination included the inability of either of the alternative bidders that participated in the process to provide acceptable proof of financing, including, in the case of one or both bidders, as applicable, the conditionality of the financing in the documents provided, the lack of customary financing documents, inability to provide proof of funds and/or inclusion of financing as a condition to closing in the proposed merger agreements. In addition, the terms of the proposed merger agreements from both alternative bidders were less favorable than those of the Merger Agreement, particularly as they related to certainty of closing. The Board further believed, based on these negotiations and discussions, that the Per Share Merger Consideration was the highest price per share for the Company's shares that Parent was willing to pay and that the Merger Agreement contained the most favorable terms to the Company to which Parent was willing to agree. Terms of the Merger Agreement supporting the Board's belief that the Merger Agreement was advisable and in the best interest of the Company's shareholders include:

- Ability to Respond to Certain Unsolicited Acquisition Proposals— the Merger Agreement permits the Board to engage in negotiations or discussions with any third-party that has made an unsolicited bona fide written acquisition proposal that the Board, acting upon the recommendation of the Committee, determines in good faith (after consultation with its financial advisor and outside legal counsel) constitutes or would reasonably be expected to result in a superior proposal if such action is reasonably likely to be necessary in order for the directors to comply with their fiduciary duties under applicable Law (assuming the laws of Israel follow those of Delaware with respect to these matters).

- Change of Recommendation— either in the event that the Company receives a superior proposal or in the event of an intervening event (as defined in the Merger Agreement and summarized in "The Agreement and Plan of Merger—Non-Solicitation; Acquisition Proposals; Change in Recommendations"), the Board has the right, prior to obtaining shareholder approval of the Merger Proposal, to withhold, withdraw, modify or qualify, in any manner adverse to Parent, its recommendation to its shareholders of the Merger Proposal if the Board, acting upon the recommendation of the Committee, concludes in good faith, after consultation with its financial advisor and outside legal counsel that such action is reasonably likely to be necessary in order for the directors to comply with their fiduciary duties under applicable Law (assuming the laws of Israel follow those of Delaware with respect to these matters); provided that the Board may not make such a Company adverse recommendation change unless (i) the Company notifies Parent in writing at least four business days before the Company adverse recommendation change of its intention to take such action, and provides Parent with certain information relating to the superior proposal or intervening event, (ii) the Company negotiates in good faith with Parent concerning any revisions to the terms of the Merger Agreement that Parent may propose in response to such superior proposal or intervening event, and (iii) the Board determines that, in the case of a superior proposal, such acquisition proposal continues to constitute a superior proposal, and in the case of the intervening event, such intervening event continues to materially adversely affect the advisability of the Merger Agreement and the Merger to the Company from a financial point of view, in each case after giving due consideration to any changes proposed to be made to the Merger Agreement by Parent in writing.

- Fiduciary Termination Right— the Board may terminate the Merger Agreement to accept a superior proposal (that was not solicited in violation of the Merger Agreement) if (i) the Company has materially complied with requirements set forth in the previous bullet and (ii) in connection with such termination, the Company pays to Parent a termination fee of $5,738,297.

- Conditions to Consummation of the Merger; Likelihood of Closing— the fact that Parent's obligations to close the Merger are subject to a limited number of conditions and the Board's belief that the Merger is reasonably likely to be consummated.

- No Financing Condition—the Transaction is not subject to a financing condition.

- Remedies—remedies include specific performance and uncapped damages resulting from any willful and material breach of the Merger Agreement.

Shareholder Approval. The Merger is subject to the approval of Company shareholders, and the shareholders are free to reject the Merger.

Solvency Determination. The Board considered the financial position of the merging companies, based, among other things, on (i) the representations provided by Parent and Merger Sub in the Merger Agreement, (ii) the identity of the shareholder of the Surviving Corporation after the consummation of the Merger, (iii) the events and resolutions of the Board following the date of the most recent audited consolidated financial statements of the Company or the most recent reviewed consolidated financial statements of the Company, which may have, in the opinion of the Board, a material effect on the information included in such financial statements, and (iv) any liens on Company assets and any liens on the assets of the Surviving Corporation which could materialize as a result of the consummation of the Merger, and determined that no reasonable concern existed that the Surviving Corporation will be unable to fulfill the obligations of the Company to its creditors as such become due and payable following the consummation of the Merger.

Each of these factors favored the Board's conclusion that the Transaction was in the best interests of the Company's shareholders.

The Board also considered a variety of risks or potentially adverse factors in making its determination and recommendation. These factors included:

No Shareholder Participation in Future Growth or Earnings. The fact that, following the Transaction, the Company will cease to be a public company and its current shareholders will no longer participate in any of its potential future growth or benefit from any future increase in the Company's value.

Risk Associated with Failure to Complete and Consummate the Merger. The possibility that the Transaction might not be consummated, and the fact that if the Transaction is not consummated, (i) the Company's directors, senior management and other employees will have expended extensive time and effort and will have experienced significant distractions from their work during the pendency of the Transaction, (ii) the Company will have incurred significant transaction costs, (iii) the Company's continuing business relationships with consultants, licensors, business partners and employees may be adversely affected, (iv) the trading price of the Company shares could be adversely affected and (v) the market's perceptions of the Company's prospects could be adversely affected.

Interim Restrictions on Business Pending the Completion of the Merger. Restrictions on the conduct of the Company's business prior to the effective time of the Merger due to pre-closing covenants in the Merger Agreement whereby the Company agreed that it will carry on its business in the ordinary course of business consistent with past practice and, subject to specified exceptions, will not take a number of actions related to the conduct of its business without the prior written consent of Parent, which may have a material adverse effect on the Company's ability to respond to changing market and business conditions in a timely manner or at all.

Effects of Transaction Announcement. The effect of the public announcement of the Merger Agreement, including effects on the Company's share price, and the Company's ability to attract and retain key management and personnel, during the pendency of the Transaction, as well as the likelihood of litigation in connection with the Merger.

Timing Risks. The amount of time it could take to complete the Merger, including the risk that Parent and the Company might not receive the necessary regulatory approvals or clearances to complete the Merger or that governmental authorities could attempt to condition their approvals or clearances of the Merger on one or more of the parties' compliance with certain terms or conditions which may cause one or more of the Merger conditions not to be satisfied, or that creditors (if any) may file objections in Israeli court to prevent or delay the Merger. The fact that Parent has the ability to assign the Merger Agreement could delay the timing of closing though not beyond the outside date as set forth in the Merger Agreement.

Other Interested Parties. The fact that other parties expressed interest in acquiring the Company, but with greater uncertainty around reaching an acceptable deal particularly as it relates to each of those parties' ability to finance the transaction.

No Solicitation. The terms of the Merger Agreement that place certain limitations on the Company's ability to further shop the Company.

Company Termination Fee. The fact that the Company may be required to pay Parent a termination fee in the event that the Company were to terminate the Merger Agreement to accept another proposal.

Taxable Considerations. The fact that, for U.S. federal income tax and Israeli income tax and capital gains tax purposes, the Per Share Merger Consideration will generally be taxable to the shareholders of the Company being paid the consideration.

This discussion of the information and factors considered by the Board in reaching its conclusions and recommendation includes all of the material factors considered by the Board but is not intended to be exhaustive. In view of the wide variety of factors considered by the Board in evaluating the Transaction and the complexity of these matters, the Board did not find it practicable to, and did not attempt to, quantify, rank or otherwise assign relative weight to those factors. In addition, different members of the Board may have given different weight to different factors.

Opinion of BofA Merrill Lynch

The Company retained BofA Merrill Lynch to act as the Company's financial advisor in connection with the Merger. BofA Merrill Lynch is an internationally recognized investment banking firm which is regularly engaged in the valuation of businesses and securities in connection with mergers and acquisitions, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes. The Company selected BofA Merrill Lynch to act as the Company's financial advisor in connection with the Merger on the basis of BofA Merrill Lynch's experience in transactions similar to the Merger, its reputation in the investment community and its familiarity with the Company and its business.

On November 8, 2017, at a meeting of the Board held to evaluate the Merger, BofA Merrill Lynch delivered to the Board an oral opinion, confirmed by delivery of a written opinion dated November 8, 2017, to the effect that, as of that date and based on and subject to various assumptions and limitations described in the opinion, the Per Share Merger Consideration to be received in the Merger by holders of Company ordinary shares was fair, from a financial point of view, to such holders.

The full text of BofA Merrill Lynch's written opinion, dated November 8, 2017, to the Board, which describes, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken, is attached as Annex B to this proxy statement and is incorporated by reference herein in its entirety. The following summary of BofA Merrill Lynch's opinion is qualified in its entirety by reference to the full text of the opinion. BofA Merrill Lynch delivered its opinion to the Board for the benefit and use of the Board (in its capacity as such) in connection with and for purposes of its evaluation of the Per Share Merger Consideration, from a financial point of view. BofA Merrill Lynch's opinion did not address any other aspect of the Merger, and no opinion or view was expressed as to the relative merits of the Merger in comparison to other strategies or transactions that might be available to the Company or in which the Company might engage or as to the underlying business decision of the Company to proceed with or effect the Merger. BofA Merrill Lynch's opinion does not address any other aspect of the Merger and does not constitute a recommendation to any shareholder as to how to vote or act in connection with the proposed Merger or any related matter.

In connection with rendering its opinion, BofA Merrill Lynch, among other things:

- reviewed certain publicly available business and financial information relating to the Company;
- reviewed certain internal financial and operating information with respect to the business, operations and prospects of the Company furnished to or discussed with BofA Merrill Lynch by the Company's management, including certain financial forecasts relating to the Company (including financial forecasts relating to the magicJack Spark initiative) prepared by the Company's management, referred to as the "magicJack forecasts", and discussed with the Company's management its assessment of the probability of success of the magicJack Spark initiative reflected in the magicJack forecasts;
- discussed the past and current business, operations, financial condition and prospects of the Company with members of senior management of the Company;
- reviewed the trading history for the Company ordinary shares and a comparison of that trading history with the trading histories of other companies BofA Merrill Lynch deemed relevant;
- compared certain financial and stock market information of the Company with similar information of other companies BofA Merrill Lynch deemed relevant;
- compared certain financial terms of the Merger to financial terms, to the extent publicly available, of other transactions BofA Merrill Lynch deemed relevant;
- considered the fact that the Company publicly announced that it would explore its strategic alternatives and the results of BofA Merrill Lynch's efforts on behalf of the Company to solicit, at the direction of the Company, indications of interest and definitive proposals from third parties with respect to a possible acquisition of the Company;
- reviewed a draft, dated November 8, 2017, of the Merger Agreement, referred to as the "draft merger agreement"; and
- performed such other analyses and studies and considered such other information and factors as BofA Merrill Lynch deemed appropriate.

In arriving at its opinion, BofA Merrill Lynch assumed and relied upon, without independent verification, the accuracy and completeness of the financial and other information and data publicly available or provided to or otherwise reviewed by or discussed with BofA Merrill Lynch and relied upon the assurances of the Company's management that they were not aware of any facts or circumstances that would make such information or data

inaccurate or misleading in any material respect. With respect to the magicJack forecasts, BofA Merrill Lynch was advised by the Company, and assumed, that they were reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of the Company's management as to the future financial performance of the Company. BofA Merrill Lynch also relied, at the direction of the Company, on the assessment of the Company's management of the probability of success of the magicJack Spark initiative reflected in the magicJack forecasts. BofA Merrill Lynch did not make and was not provided with any independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of the Company, nor did BofA Merrill Lynch make any physical inspection of the properties or assets of the Company. BofA Merrill Lynch did not evaluate the solvency or fair value of the Company or B. Riley under any state, federal or other laws relating to bankruptcy, insolvency or similar matters. BofA Merrill Lynch assumed, at the direction of the Company, that the Merger would be consummated in accordance with its terms, without waiver, modification or amendment of any material term, condition or agreement and that, in the course of obtaining the necessary governmental, regulatory and other approvals, consents, releases and waivers for the Merger, no delay, limitation, restriction or condition, including any divestiture requirements or amendments or modifications, would be imposed that would have an adverse effect on the Company or the contemplated benefits of the Merger. BofA Merrill Lynch also assumed, at the direction of the Company, that the final executed merger agreement would not differ in any material respect from the draft merger agreement reviewed by BofA Merrill Lynch.

BofA Merrill Lynch expressed no view or opinion as to any terms or other aspects of the Merger (other than the Per Share Merger Consideration to the extent expressly specified in its opinion), including, without limitation, the form or structure of the Merger. BofA Merrill Lynch's opinion was limited to the fairness, from a financial point of view, of the Per Share Merger Consideration to be received by holders of Company ordinary shares and no opinion or view was expressed with respect to any consideration received in connection with the Merger by the holders of any class of securities, creditors or other constituencies of any party. In addition, no opinion or view was expressed with respect to the fairness (financial or otherwise) of the amount, nature or any other aspect of any compensation to any of the officers, directors or employees of any party to the Merger, or class of such persons, relative to the Per Share Merger Consideration. Furthermore, BofA Merrill Lynch expressed no opinion or view as to the relative merits of the Merger in comparison to other strategies or transactions that might be available to the Company or in which the Company might engage or as to the underlying business decision of the Company to proceed with or effect the Merger. In addition, BofA Merrill Lynch expressed no opinion or recommendation as to how any shareholder should vote or act in connection with the Merger or any related matter.

BofA Merrill Lynch's opinion was necessarily based on financial, economic, monetary, market and other conditions and circumstances as in effect on, and the information made available to BofA Merrill Lynch as of, the date of its opinion. It should be understood that subsequent developments may affect BofA Merrill Lynch's opinion, and BofA Merrill Lynch does not have any obligation to update, revise or reaffirm its opinion. The issuance of BofA Merrill Lynch's opinion was approved by a fairness opinion review committee of BofA Merrill Lynch.

The discussion set forth below in "—magicJack Financial Analyses" represents a brief summary of the material financial analyses presented by BofA Merrill Lynch to the Board in connection with BofA Merrill Lynch's opinion, dated November 8, 2017. The financial analyses summarized below include information presented in tabular format. In order to fully understand the financial analyses performed by BofA Merrill Lynch, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses performed by BofA Merrill Lynch. Considering the data set forth in the tables below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the financial analyses performed by BofA Merrill Lynch.

magicJack Financial Analyses

Selected Publicly Traded Companies Analysis. BofA Merrill Lynch reviewed publicly available financial and stock market information for the Company and the six selected publicly traded companies listed below. For each of the Company and the selected publicly traded companies, BofA Merrill Lynch calculated and reviewed, among other things:

- its implied growth rate represented by its estimated revenue for calendar year 2017 compared to its estimated revenue for calendar year 2018; and

- its enterprise value, calculated as its equity value based on its closing share price on November 3, 2017, plus its total debt, preferred equity and minority interests less its cash and cash equivalents, short-term investments and long-term investments, in each case based on the company's most recent public filings, as a multiple of its estimated revenue for each of calendar years 2017 and 2018.

The estimated revenue data used for the selected publicly traded companies were based on publicly available research analysts' estimates and the estimated revenue data for the Company was from the magicJack forecasts.

The results of BofA Merrill Lynch's calculations were as follows:

Company	CY 2017E EV/Revenue	CY 2018E EV/Revenue	2017-2018 Growth Rate
8x8, Inc.	4.27x	3.62x	17.8%
Five9, Inc.	7.84x	6.67x	17.6%
LivePerson, Inc.	3.16x	2.95x	7.3%
Ooma, Inc.	1.39x	1.29x	8.3%
RingCentral, Inc.	7.26x	5.87x	23.7%
Vonage Holdings Corp.	2.29x	2.23x	2.3%
Mean	4.37x	3.77x	12.8%
magicJack	0.69x	0.70x	(1.2)%

Based on its professional judgment and experience and after taking into consideration, among other things, the observed data for the selected publicly traded companies and for the Company, BofA Merrill Lynch applied 2018 revenue multiples of 0.75x to 1.25x to the Company's calendar year 2018 estimated revenue as reflected in the magicJack forecasts. This analysis indicated the following approximate implied per share equity value reference range for the Company, as compared to the Per Share Merger Consideration:

Implied Per Share Equity Value Reference Range for the Company	Per Share Merger Consideration
$6.34 to $8.98	$8.71

The selected publicly traded companies were selected because they are unified communications companies with end-markets and customers similar to those of the Company. However, none of the selected publicly traded companies used in this analysis is identical or directly comparable to the Company. Accordingly, an evaluation of the results of this analysis is not entirely mathematical. Rather, this analysis involves complex considerations and judgments concerning differences in financial and operating characteristics and other factors that could affect the public trading or other values of the companies to which the Company was compared.

Selected Precedent Transactions Analysis. BofA Merrill Lynch reviewed, to the extent publicly available, financial information relating to 19 selected transactions that involved target companies that, in the professional judgment of BofA Merrill Lynch, were "slow growth" technology companies. For each of these transactions, BofA Merrill Lynch reviewed and calculated:

- the transaction value, calculated as the enterprise value implied for the target company based on the Per Share Merger Consideration payable in the selected transaction, as a multiple of the target company's last twelve months revenue, or "LTM revenue" and the target company's estimated next twelve months revenue, or "NTM revenue," in each as of the announcement of the relevant transaction and based on publicly available information at that time; and
- the implied growth rate represented by the target company's LTM revenue as compared to its NTM revenue.

The results of BofA Merrill Lynch's calculations with respect to transactions involving "slow growth" target companies were as follows:

Announcement Date	Acquirer	Target	LTM Revenue	NTM Revenue	NTM/LTM Revenue Growth
May 1, 2017	ESW Capital, LLC	Jive Software, Inc.	1.7x	1.6x	0.8%
May 1, 2017	IAC/InterActive Corp	Angie's List, Inc.	1.8x	1.9x	(3.0)%
April 10, 2017	Sino IC Capital Co., Ltd.	Xcerra Corporation	1.4x	1.2x	16.3%
April 10, 2017	Highland Clarke Holdings Corp.	RetailMeNot, Inc.	1.6x	1.5x	6.5%
December 12, 2016	H.I.G. Capital, LLC	Lionbridge Technologies, Inc.	0.8x	0.8x	1.8%
August 24, 2016	Mill Road Capital Management LLC	Skullcandy, Inc.	0.7x	0.6x	17.6%
February 29, 2016	II-VI Incorporated	Anadigics, Inc.	1.1x	1.0x	9.8%
December 17, 2015	TDK Corporation	Micronas Semiconductor Holding AG	0.5x	0.7x	(28.5)%
December 1, 2015	Beijing E-town Dragon Semiconductor Industry Investment Center (Limited Partnership)	Mattson Technology, Inc.	1.3x	1.9x	(29.4)%
November 2, 2015	TDK Corporation	Hutchinson Technology Incorporated	0.9x	0.9x	(1.3)%
September 3, 2015	Diodes Incorporated	Pericom Semiconductor Corporation	2.0x	2.0x	4.1%
August 12, 2015	Leyard Optoelectronic Co., Ltd.	Planar Systems, Inc.	0.7x	0.7x	0.8%
April 30, 2015	Knowles Corporation	Audience, Inc.	0.9x	1.2x	(26.2)%
April 22, 2015	Francisco Partners	Procera Networks, Inc.	1.7x	1.5x	13.6%
February 3, 2015	MaxLinear, Inc.	Entropic Communications, Inc.	0.9x	1.1x	(11.6)%
January 28, 2015	Arrow Electronics, Inc.	Data Modul AG	0.6x	0.6x	7.6%
September 19, 2014	Alegria Beteiligungsgesellschaft mbH	First Sensor International AG	1.3x	1.2x	6.8%
July 11, 2014	Vishay Intertechnology, Inc.	Capella Microsystems Inc.	2.6x	2.7x	(1.7)%
April 27, 2014	Exar Corporation	Integrated Memory Logic Limited	1.5x	1.2x	16.9%
Median			1.27x	1.20x	1.8%

In addition, BofA Merrill Lynch reviewed, to the extent publicly available, financial information relating to 24 selected transactions that involved target companies that were technology companies, which in the professional judgment of BofA Merrill Lynch, had industry-standard growth profiles. For each of these transactions, BofA Merrill Lynch reviewed and calculated the transaction value as a multiple of the target company's NTM revenue as of the announcement of the relevant transaction and based on publicly available information at that time.

45

The results of BofA Merrill Lynch's calculations with respect to transactions involving target companies with industry-standard growth profiles were as follows:

Announcement Date	Acquirer	Target	NTM Revenue
July 27, 2017	Mitel Networks Corporation	ShoreTel, Inc.	1.23x
August 31, 2016	Genesys Telecommunications Laboratories, Inc.	Interactive Intelligence Group, Inc.	3.11x
May 18, 2016	NICE-Systems, Ltd.	inContact, Inc.	3.20x
May 5, 2016	Vonage Holdings Corp.	Nexmo, Inc.	n/a
April 15, 2016	Siris Capital Group, LLC	Polycom, Inc.	1.05x
March 15, 2016	magicJack VocalTec Ltd.	North American Telecommunications Corporation d/b/a Broadsmart	2.56x
December 21, 2015	ShoreTel, Inc.	Corvisa LLC	n/a
November 23, 2015	Comtech Telecommunications Corp.	TeleCommunication Systems, Inc.	1.10x
November 3, 2015	Atos SE	Unify	n/a
September 10, 2015	Siris Capital Group, LLC	Premiere Global Services, Inc.	1.70x
September 3, 2015	Momentum Telecom, Inc.	Alteva, Inc.	0.70x
August 20, 2015	Vonage Holdings Corp.	iCore Networks, Inc.	n/a
June 19, 2015	RingCentral, Inc.	Glip, Inc.	n/a
June 19, 2015	FMR LLC	Colt Group S.A.	n/a
March 2, 2015	Mitel Networks Corporation	Mavenir Systems, Inc.	2.90x
November 5, 2014	Vonage Holdings Corp.	Telesphere Networks Ltd.	~2.00x
May 6, 2014	inContact, Inc.	CallCopy, Inc.	n/a
April 17, 2014	Interactive Intelligence Group Inc.	OrgSpan Inc.	n/a
December 17, 2013	BroadSoft, Inc.		