

BACKWEB TECHNOLOGIES LTD

Form DEF 14A

November 30, 2006

Table of Contents

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
SCHEDULE 14A
(Rule 14a-101)
PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE
SECURITIES EXCHANGE ACT OF 1934**

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 pursuant to §240.14a-12

BACKWEB TECHNOLOGIES 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.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(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):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

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:

Table of Contents

November 30, 2006

Dear Fellow Shareholder:

You are cordially invited to attend the 2006 Annual General Meeting of Shareholders of BackWeb Technologies Ltd., on Thursday, December 28, 2006, beginning at 4:00 p.m., local time, at the Company's principal executive offices located at 10 Hamal St., Park Afek, Rosh Ha'ayin 48092, Israel. All shareholders of record on November 28, 2006 are invited to attend the Annual General Meeting.

The Notice of Annual General Meeting of Shareholders, the Proxy Statement and the accompanying proxy card, and BackWeb's Annual Report on Form 10-K for the year ended December 31, 2005 are enclosed.

Please vote on each of the matters listed in the enclosed Notice of Annual General Meeting of Shareholders. Your Board of Directors recommends a vote **FOR** each of the proposals listed in the Notice. Please refer to the Proxy Statement for detailed information on each of the proposals.

The vote of every shareholder is important. Regardless of whether you plan to attend the meeting, please vote by signing and returning the enclosed proxy card as soon as possible in the envelope provided.

On behalf of the Board of Directors of BackWeb Technologies Ltd. and its management team, I would like to thank you for your continued interest in BackWeb and look forward to seeing you at the meeting.

Sincerely,

William Heye
Chief Executive Officer

Table of Contents

BACKWEB TECHNOLOGIES LTD.

**NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS
To Be Held December 28, 2006**

TO THE SHAREHOLDERS OF BACKWEB TECHNOLOGIES LTD.:

The 2006 Annual General Meeting of Shareholders of BackWeb Technologies Ltd. (the Company) will be held on Thursday, December 28, 2006, at 4:00 p.m., local time, at the Company's principal executive offices located at 10 Ha'amal St., Park Afek, Rosh Ha'ayin 48092, Israel for the following purposes:

1. To re-elect Uday Bellary as a Class I director to serve for a term of three years, expiring upon the 2009 Annual General Meeting of Shareholders, or until his successor is elected;
2. To (i) ratify the appointment of Grant Thornton LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2006 and (ii) authorize the Audit Committee to enter into an agreement to pay the fees of Grant Thornton on customary terms; and
3. To transact such other business as may properly come before the meeting or any postponements or adjournments thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice. Only shareholders of record at the close of business on November 28, 2006 are entitled to attend and vote at the meeting. Shareholders are cordially invited to attend the meeting in person. However, to ensure your representation at the meeting, you are urged to mark, sign, date, and return the enclosed proxy card as promptly as possible in the postage-prepaid envelope enclosed for that purpose. Please note, however, that if your shares are held of record by a broker, bank, or other nominee, and you wish to vote at the meeting, you must obtain from that broker, bank, or other nominee a proxy card issued in your name. If you send in your proxy card and then decide to attend the meeting to vote your shares in person, you may still do so. Your proxy is revocable in accordance with the procedures set forth in the Proxy Statement.

FOR THE BOARD OF DIRECTORS,

Eli Barkat
Chairman of the Board of Directors

Rosh Ha'ayin, Israel
November 30, 2006

IMPORTANT:

Whether or not you plan to attend the meeting, you are requested to complete and promptly return the enclosed proxy card in the envelope provided.

TABLE OF CONTENTS

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

PROXY STATEMENT FOR ANNUAL GENERAL MEETING OF SHAREHOLDERS

INFORMATION CONCERNING SOLICITATION AND VOTING

PROPOSAL ONE RE-ELECTION OF CLASS I DIRECTOR

COMPENSATION OF DIRECTORS

BOARD MEETINGS AND COMMITTEES

PROPOSAL TWO RATIFICATION OF APPOINTMENT AND COMPENSATION OF

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

OTHER INFORMATION

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

REPORT OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

RELATED PARTY TRANSACTIONS

STOCK PERFORMANCE GRAPH

DEADLINE FOR FUTURE PROPOSALS OF SHAREHOLDERS

OTHER PROPOSED ACTION

APPENDIX A

Table of Contents

BACKWEB TECHNOLOGIES LTD.

PROXY STATEMENT FOR ANNUAL GENERAL MEETING OF SHAREHOLDERS

INFORMATION CONCERNING SOLICITATION AND VOTING

This Proxy Statement is being furnished in connection with the solicitation of proxies by the Board of Directors (the Board) of BackWeb Technologies Ltd., an Israeli company (the Company or BackWeb), for use at the Company's Annual General Meeting of Shareholders (the Annual General Meeting), to be held on Thursday, December 28, 2006, at 10 Hamal St., Park Afek, Rosh Haayin 48092, Israel, commencing at 4:00 p.m., local time, or at any adjournment or postponement thereof, for the purposes set forth herein and in the accompanying Notice of Annual General Meeting of Shareholders.

The Notice of Annual General Meeting of Shareholders, this Proxy Statement and the accompanying proxy card, and the Company's Annual Report on Form 10-K for the year ended December 31, 2005, are first being mailed on or about November 30, 2006 to shareholders entitled to vote at the Annual General Meeting.

Record Date and Shares Outstanding

The Board has set November 28, 2006 (the Record Date) as the record date for the Annual General Meeting. Only holders of record of the Company's Ordinary Shares, par value NIS 0.03 per share (Ordinary Shares), at the close of business on that date are entitled to vote at and attend the Annual General Meeting. Shareholders who hold Ordinary Shares as of the Record Date through a bank, broker or other nominee that is a shareholder of record of the Company or that appears in the participant listing of a security depository are also entitled to notice of, and to vote at, the Annual General Meeting. We had approximately 41,303,994 Ordinary Shares outstanding as of the Record Date.

Solicitation and Voting

The Company will bear the cost of soliciting proxies for the Annual General Meeting. The Company will ask banks, brokerage houses, fiduciaries and custodians holding Ordinary Shares in their names for others to send proxy materials to and obtain proxies from the beneficial owners of such Ordinary Shares, and the Company may also reimburse them for their reasonable expenses in doing so. In addition to soliciting proxies by mail, the Company and its directors, officers and employees, may also solicit proxies personally, by telephone or by other appropriate means. No additional compensation will be paid to directors, officers or employees for such services.

Each shareholder is entitled to one vote for each Ordinary Share held by such person on all matters presented at the meeting. The required quorum for the transaction of business at the Annual General Meeting is two or more shareholders present in person or by proxy and holding, in the aggregate, more than fifty percent of the Company's Ordinary Shares issued and outstanding on the Record Date. Under Israeli law, broker non-votes, which occur when a shareholder does not give a proxy to his or her broker with instructions as to how to vote his or her shares, and abstentions will be disregarded and will have no effect on whether the requisite vote is obtained. However, broker non-votes and abstentions will be counted for purposes of establishing a quorum.

Proxies properly executed, duly returned to and received by the Company prior to the Annual General Meeting, and not revoked, will be voted as instructed on those proxies. If no instructions are given on the proxies, such proxies will be voted **FOR** the election of Uday Bellary as a Class I director and **FOR** the ratification of the appointment of Grant Thornton LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2006 and the authorization for the Audit Committee to enter into an agreement to pay the fees of Grant Thornton on customary terms.

Revocability of Proxies

Any shareholder giving a proxy pursuant to this solicitation has the power to revoke it at any time before it is voted. It may be revoked by delivering to the Secretary of the Company, prior to the Annual General Meeting, at the above address of the Company, a written notice of revocation or a duly executed proxy bearing a later date. A

Table of Contents

shareholder of record at the close of business on the Record Date may also revoke his or her proxy by voting in person if present at the Annual General Meeting. Attendance at the Annual General Meeting will not, by itself, revoke a proxy.

PROPOSAL ONE

RE-ELECTION OF CLASS I DIRECTOR

In accordance with the Company's Articles of Association, the Company's shareholders last fixed the maximum number of directors at six. The Company currently has five directors, one of whom is standing for re-election at this Annual General Meeting. Proxies cannot be voted for a greater number of persons than the nominees named in this Proxy Statement.

Our Articles of Association provide for a classified Board, with directors being divided into Class I, Class II and Class III. Outside Directors elected in accordance with Israel's Companies Law are not members of any class of directors.

Mr. Uday Bellary serves as a Class I director. His term expires as of this 2006 Annual General Meeting of Shareholders. Shareholders are being asked to re-elect Mr. Bellary as a Class I director, to serve for a term of three years, expiring upon the 2009 Annual General Meeting of Shareholders, or until his successor is elected.

Biographical information concerning Mr. Bellary, the nominee for re-election as a Class I director is set forth below.

Nominee for Re-election to the Board as a Class I Director to Serve for a Three-Year Term Until the Annual General Meeting of Shareholders to Be Held in 2009

Uday Bellary

UDAY BELLARY, age 51, has served as one of our directors since 2004. Mr. Bellary has been the Chief Financial Officer of Atrica, Inc., a telecommunications equipment manufacturer, since April 2005. Prior to that, Mr. Bellary was the Executive Vice President and Chief Financial Officer of VL, Inc., a provider of Voice over IP technology and services from September 2003 until April 2005. From February 2000 through September 2003, Mr. Bellary served as Senior Vice President, Finance & Administration and Chief Financial Officer of Metro Optix, Inc., a provider of optical networking equipment that was acquired in September 2003 by Xtera Communications. From September 1997 to October 1999, he served as Vice President of Finance and Chief Financial Officer of MMC Networks, Inc., a manufacturer of network processors that was acquired in October 2000 by Applied Micro Circuits Corporation. Mr. Bellary also serves on the board of directors of Versant Corporation and several private companies. Mr. Bellary holds a B.S. degree in finance, accounting and economics from Karnatak University, India and a DMA degree in finance and managerial accounting from the University of Bombay, India. He is a Certified Public Accountant in the U.S. and a Chartered Accountant in India.

The terms of office of William Heye, the Company's Class II director whose term is scheduled to expire at the 2007 Annual General Meeting of Shareholders, Eli Barkat, the Company's Class III director whose term is scheduled to expire at the 2008 Annual General Meeting of Shareholders, Amir Makleff, one of the Company's Outside Directors whose term is scheduled to expire at the 2008 Annual General Meeting of Shareholders, and Kara Andersen, one of the Company's Outside Directors whose term is scheduled to expire at the 2007 Annual General Meeting of Shareholders, will continue beyond the Annual General Meeting. Therefore, they are not required to stand for re-election at this Annual General Meeting. Biographical information concerning Messrs. Heye, Barkat and Makleff and Ms. Andersen are set forth below.

Table of Contents

Class II Director Whose Term Continues Until the Annual General Meeting of Shareholders to Be Held in 2007

William Heye

WILLIAM HEYE, age 45, has been one of our directors since 2005. Mr. Heye became the Company's Chief Executive Officer on October 11, 2004. Prior to that, he served as the Company's Vice President, Business Development and Products from 2003 through 2004, as the Company's Vice President, Professional Services from 2001 through 2003, as Director of Research and Development from 1998 through 2001, and as Director of Product Management and Marketing from 1996 through 1998. Prior to joining BackWeb, from 1992 to 1996 Mr. Heye was Director of Marketing & Sales at The Voyager Company, a media company, responsible for launching the company's consumer film and CD-ROM products and developing sales and marketing programs. From 1985 to 1990, Mr. Heye held various technical and field sales positions at IBM. Mr. Heye holds a B.S. in mechanical engineering and a B.A. in English from Texas A&M University, and an M.B.A. from the Harvard Business School.

Class III Director Whose Term Continues Until the Annual General Meeting of Shareholders to Be Held in 2008

Eli Barkat

ELI BARKAT, age 43, is a managing director of BRM Capital, an Israeli venture capital firm. Mr. Barkat has served as our Chairman of the Board since 1996. He also served as our Chief Executive Officer from 1996 through December 2003. From 1988 to February 1996, Mr. Barkat served as a Managing Director and Vice President of Business Development of BRM Technologies Ltd., a technology venture firm. Prior to 1988, Mr. Barkat held various positions with the Aurec Group, a communications media and information company, and Daizix Technologies, a computer assisted design applications company. In addition, Mr. Barkat served as a paratrooper in the Israel Defense Forces where he attained the rank of lieutenant. Mr. Barkat holds a B.S. in computer science and mathematics from the Hebrew University of Jerusalem.

Outside Director Whose Term Continues Until the Annual General Meeting of Shareholders to Be Held in 2007

Amir Makleff

AMIR MAKLEFF, age 58, has served as one of our directors since 2004. Mr. Makleff is a co-founder of BridgeWave Communications, a provider of gigabit wireless products and high frequency Micro-Electro-Mechanical Systems (MEMS) technology, and has served as its President and Chief Executive Officer since January 1999. From November 1995 to November 1998, Mr. Makleff served as Chief Operating Officer and Senior Vice President of Engineering of Netro Corporation, a fixed wireless networking infrastructure provider. From 1990 to 1995, Mr. Makleff served as General Manager and Vice President, Engineering of the Access Division of Telco System, a telecom equipment supplier. Prior to that, Mr. Makleff held senior engineering and marketing positions at Nortel, Amdahl Corporation, and Telestream Corporation, of which he was co-founder. Mr. Makleff served for eight years in various senior research and development roles in the Israeli Ministry of Defense. Mr. Makleff holds a B.S. and an M.S. from the Technion - Israel Institute of Technology.

Outside Director Whose Term Continues Until the Annual General Meeting of Shareholders to Be Held in 2008

Kara Andersen

KARA ANDERSEN, age 42, has served as one of our directors since 2005. Ms. Andersen is Vice President of Operations and General Counsel at PneumRx, Inc., a medical device company. Prior to joining PneumRx in August

2004, Ms. Andersen was a partner at the law firm of Keeker & Van Nest, LLP, where she had practiced since 1996. Ms. Andersen currently serves on the Boards of Directors of the Legal Aid Society-Employment Law Center and of ODC, a non-profit arts organization. Ms. Andersen received an A.B. in organizational behavior and management and French literature from Brown University and a J.D. from the UCLA School of Law.

Table of Contents

COMPENSATION OF DIRECTORS

At the 2003 Annual General Meeting of Shareholders, shareholders approved a cash compensation package for non-employee directors. Under the approved compensation policy, non-employee directors receive cash remuneration consisting of \$1,000 per fiscal quarter, plus \$1,000 for each Board meeting attended and \$1,000 for each Committee meeting attended. In addition, the Chair of the Audit Committee receives an additional \$500 per Audit Committee meeting. Meeting fees for Board meetings require in person or videoconference attendance, with one telephone meeting exception allowed for each year. Committee meeting attendance may be in person, by videoconference, or by telephone.

In addition, under the policy approved by the shareholders, non-employee directors are eligible for non-discretionary grants of stock options under the Company's option plans. Non-employee directors receive a non-discretionary option grant of 50,000 Ordinary Shares upon their initial election or appointment to the Board and annual option grants of 15,000 Ordinary Shares at each Annual General Meeting of Shareholders thereafter during their term of service. Annual option grants are not made in cases where a director's term of office prior to the Annual General Meeting has been shorter than six months. The non-discretionary grants vest over a period of four years, with one-quarter of the Ordinary Shares subject to the option becoming vested and exercisable after one year and monthly thereafter over the remaining period of thirty-six months, subject to continued service as a director of the Company. The grant date of the initial option grant is the date that the non-employee director is initially elected or appointed to the Board. The grant date of the annual option grant is the date of the Annual General Meeting. The exercise price for these non-discretionary grants is the closing sale price of the Company's Ordinary Shares on The Nasdaq Capital Market the day before the grant date.

In connection with the policy described in the preceding paragraph, in December 2005, we granted Ms. Andersen an option to purchase 50,000 Ordinary Shares upon her initial election to the Board, and we granted each of Messrs. Barkat, Bellary and Makleff options to purchase 15,000 Ordinary Shares following the completion of our 2005 Annual General Meeting of Shareholders.

Reasonable expenses incurred by each director in connection with his or her duties as a director are also reimbursed. A Board member who is also an employee of BackWeb does not receive compensation for service as a director.

BOARD MEETINGS AND COMMITTEES

The Board held a total of five meetings (including regularly scheduled and special meetings) during fiscal 2005. Each of our directors, other than Ms. Andersen who was elected to the Board on December 29, 2005, attended at least 75% of the aggregate of all meetings of the Board and any meetings of committees of the Board on which he served.

The Board has a standing Audit Committee and Compensation Committee. The Board does not currently have a formal nominating committee or a governance committee. The functions customarily performed by nominating and governance committees are performed by the independent members of the Board who make recommendations to the full Board regarding candidates for nomination and the size and composition of the Board. The independent members of the Board monitor the mix of skills, experience and background of the Board to ensure it maintains the necessary composition to effectively perform its oversight functions. The independent members of the Board may from time to time solicit and receive recommendations for candidates from members of the Board, senior level executives, individuals personally known to the members of the Board, and third party search firms as appropriate. In order to be considered for membership on the Board, a candidate should possess, at a minimum, the following qualifications:

high personal and professional ethics and integrity;

commitment to representing the long-term interests of the Company's shareholders;
objectivity and practical and mature judgment; and

Table of Contents

willingness to understand the business of the Company and to devote adequate time to carry out his or her duties.

The independent members of the Board believe that their processes effectively serve the functions of a nominating and governance committee, and do not believe there is a need for a separate, formal nominating or governance committee. Although there is no formal policy regarding shareholder nominees, the independent members of the Board believe that shareholder nominees should be viewed in substantially the same manner as other nominees. The consideration of any candidate for director will be based on the independent members of the Board's assessment of the individual's background, skills and abilities, and if such characteristics qualify the individual to fulfill the needs of the Board at that time. Shareholders wishing to propose nominees for consideration for the Board should submit the candidate's name and qualifications to our Corporate Secretary prior to the deadlines set forth under "Deadline for Future Proposals of Shareholders" in this Proxy Statement.

The current members of the Audit Committee are Messrs. Bellary and Makleff and Ms. Andersen, with Mr. Bellary serving as the chair of the Audit Committee. One of our former directors, Isabel Maxwell, served as a member of the Audit Committee until she left the Board in May 2005, and Mr. Bellary joined the Audit Committee in July 2005. As described in more detail in the Report of the Audit Committee of the Board of Directors in this Proxy Statement, the Audit Committee is responsible for assisting the Board in its oversight of our accounting and financial reporting processes, the audits of our financial statements, and our system of internal controls. The Audit Committee held five meetings in fiscal 2005. The Board of Directors has determined that Mr. Bellary is an audit committee financial expert, as defined under Item 401(h) of Regulation S-K. Each member of the Audit Committee is independent as defined under the rules of The Nasdaq Stock Market and as required under Rule 10A-3(b)(1) under the Securities Exchange Act of 1934. The Audit Committee operates under a written charter, the most current copy of which is set forth as Appendix A to this Proxy Statement.

The Compensation Committee currently consists of Messrs. Makleff and Bellary and Ms. Andersen, with Mr. Makleff serving as the chair of the Compensation Committee. As described in more detail in the Report of the Compensation Committee of the Board of Directors in this Proxy Statement, the Compensation Committee reviews and approves all forms of compensation to be provided to the Company's executive officers, consults with management regarding compensation and benefits for non-executive officers and other employees, and oversees our compensation and benefits policies generally. The Compensation Committee held two meetings in fiscal 2005. Each member of the Compensation Committee is independent as defined under the rules of The Nasdaq Stock Market, non-employee directors within the meaning of Rule 16b-3 of the Securities Exchange Act of 1934, and outside directors within the meaning of Section 162(m) of the Internal Revenue Code.

Communication with the Board

Shareholders may send communications to the Board of Directors by writing to them at BackWeb Technologies Ltd., Attention: Vice President, Finance, 2077 Gateway Place, Suite 500, San Jose, CA 95110. All shareholder communications will be reviewed by the Vice President, Finance and forwarded to the Board, if appropriate. Our Vice President, Finance reserves the right to not forward to board members any abusive, threatening, or otherwise inappropriate materials.

Directors Attendance at Annual General Meetings of Shareholders

Although we do not have a formal policy regarding attendance by members of the Board at our Annual General Meeting of Shareholders, we encourage directors to attend. In 2005, one of our directors attended our Annual General Meeting of Shareholders.

Vote Required

The affirmative vote of a majority of the Ordinary Shares voting on this proposal in person or by proxy is required for the re-election of Mr. Bellary as a Class I director.

THE COMPANY'S BOARD UNANIMOUSLY RECOMMENDS VOTING **FOR** THE RE-ELECTION OF MR. BELLARY AS A CLASS I DIRECTOR.

Table of Contents**PROPOSAL TWO****RATIFICATION OF APPOINTMENT AND COMPENSATION OF
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee of the Board has selected Grant Thornton LLP (Grant Thornton) as the Company's independent registered public accounting firm to audit the financial statements of the Company for the fiscal year ending December 31, 2006, and to serve as auditors, within the meaning of the Israel's Companies Law.

Fees Paid to Independent Registered Public Accounting Firm

The following table summarizes the aggregate fees billed to the Company by Grant Thornton and Ernst & Young LLP, the Company's former independent registered public accounting firm, (Ernst & Young), in 2004 and 2005:

| | 2004 | 2005 |
|--------------------|-------------|-------------|
| Audit Fees | \$ 255,000 | \$ 233,000 |
| Audit-Related Fees | 39,000 | 14,000 |
| Tax Fees | | |
| All Other Fees | 13,000 | |
| Total | \$ 307,000 | \$ 247,000 |

Audit Fees. This category includes the audit of BackWeb's annual financial statements and review of financial statements included in BackWeb's Quarterly Reports on Form 10-Q. This category also includes advice on audit and accounting matters that arose during, or as a result of, the audit or the review of interim financial statements, and statutory audits. The amount in 2004 includes cash payments made to Ernst & Young of \$70,000.

Audit-Related Fees. This category consists of assurance and related services that are reasonably related to the performance of the audit or review of BackWeb's financial statements and are not reported above under Audit Fees. The services for the fees disclosed under this category related to preparation of financial statements in the Company's international subsidiaries and other local compliance activities. The amount in 2004 represents cash payments made to Ernst & Young of \$39,000.

Tax Fees. There were no fees billed to the Company in either of 2004 or 2005 by Grant Thornton or Ernst & Young for tax compliance, tax advice or tax planning services.

All Other Fees. This category consists of the aggregate fees billed for professional services rendered, other than the services reported above. The services for the fees disclosed under this category include liquidation services for certain international subsidiaries, as well as other consulting services unrelated to audit and tax services. The amount in 2004 represents cash payments made to Ernst & Young of \$7,000.

Pre-Approval Process for Auditor Services

The services performed by Grant Thornton in 2004 and 2005 were pre-approved in accordance with the pre-approval procedures adopted by the Audit Committee. All requests for audit, audit-related, tax, and other services must be

submitted to the Audit Committee for pre-approval with an estimate of fees for the services. Pre-approval is generally provided at regularly scheduled meetings.

Ratification of Independent Registered Public Accounting Firm

The Board is seeking (1) ratification by the shareholders for the Audit Committee's selection and appointment of Grant Thornton as the independent registered public accounting firm of the Company for the fiscal year ending December 31, 2006, and (2) the authorization by the shareholders for the Audit Committee to enter into an agreement to pay the fees of Grant Thornton as the independent registered public accounting firm of the Company on customary terms. Shareholder ratification of the Company's independent registered public accounting firm, including the authorization for the Audit Committee to enter into an agreement for their fees, is required under Israel's Companies Law.

Table of Contents

Representatives of Grant Thornton are expected to be present at this Annual General Meeting, will have the opportunity to make a statement if they so desire, and are expected to be available to respond to appropriate questions. In accordance with Section 60(b) of Israel's Companies Law, shareholders are invited to discuss the Company's Consolidated Financial Statements for the year ended December 31, 2005, and questions regarding the financial statements may be addressed to us or to Grant Thornton.

Vote Required

The affirmative vote of a majority of the Ordinary Shares voting on this proposal in person or by proxy is required for the ratification and approval of the appointment of Grant Thornton and the authorization of the Audit Committee to enter into an agreement with Grant Thornton with respect to its fees.

THE COMPANY'S BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS VOTING **FOR** THE RATIFICATION OF THE APPOINTMENT OF GRANT THORNTON AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2006, AND THE AUTHORIZATION OF THE AUDIT COMMITTEE TO ENTER INTO AN AGREEMENT TO PAY THE FEES OF GRANT THORNTON.

OTHER INFORMATION

Executive Officers

Biographical information for Ken Holmes, the Company's Vice President, Finance is set forth below. Mr. Holmes along with Mr. Heye, whose biographical information is contained in Proposal One, are currently the Company's only executive officers. Executive officers are designated as such and serve at the discretion of the Board, and until their successors have been duly elected and qualified, unless sooner removed by the Board.

KEN HOLMES, age 40, became the Company's Vice President, Finance on October 11, 2004. Prior to that, he served as the Company's Senior Director of Finance and Corporate Controller from May 2003 through October 2004. Prior to BackWeb, from January 2001 through May 2003, Mr. Holmes was Chief Financial Officer of Project InVision, a project management software company. He was also the Senior Director of Finance at QuantumShift from February 1998 through December 2000, and has held finance positions at NeXT Software and Omnis Software. Mr. Holmes holds a B.S. in finance from The University of San Francisco.

Relationship Among Directors or Executive Officers

There are no family relationships between any director or executive officer and any other director or executive officer.

Table of Contents**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table shows the amount of our Ordinary Shares beneficially owned, as of November 20, 2006, by (1) persons known by us to own 5% or more of our Ordinary Shares, (2) each Named Executive Officer listed in the Summary Compensation Table below, (3) our current directors and (4) our current executive officers and directors as a group. Beneficial ownership is determined in accordance with the rules of the SEC.

The address for each listed director and executive officer is c/o BackWeb Technologies Ltd., 2077 Gateway Place, Suite 500, San Jose, CA 95110. Except as indicated by footnote, the persons named in the table have sole voting and investment power with respect to all Ordinary Shares shown as beneficially owned by them. The number of Ordinary Shares outstanding used in calculating the percentages in the table below includes the Ordinary Shares underlying options or warrants held by such person that are exercisable within 60 days of November 20, 2006, but excludes Ordinary Shares underlying options or warrants held by any other person. Percentage of beneficial ownership is based on 41,303,994 Ordinary Shares outstanding as of November 20, 2006.

| Beneficial Owner | Number of Ordinary Shares Beneficially Owned | Percentage of Ordinary Shares Beneficially Owned |
|-----------------------------------------------------------------------------------------------|-----------------------------------------------------------------|---------------------------------------------------------------------|
| 5% or Greater Shareholders | | |
| EliBarkat Holdings Ltd.(1) 8 Hamarpe Street Har Hotzvim Jerusalem 91450 Israel | 3,352,342 | 8.1% |
| Yuval 63 Holdings (1995) Ltd.(2) 8 Hamarpe Street Har Hotzvim Jerusalem 91450 Israel | 3,352,342 | 8.1% |
| NirBarkat Holdings Ltd.(3) 8 Hamarpe Street Har Hotzvim Jerusalem 91450 Israel | 3,352,342 | 8.1% |
| Named Executive Officers and Directors | | |
| Eli Barkat(4) | 5,356,089 | 13.0% |
| Kara Andersen(5) | 12,500 | * |
| Uday Bellary(6) | 33,958 | * |
| Amir Makleff(7) | 33,958 | * |
| William Heye(8) | 964,250 | 2.3% |
| Ken Holmes(9) | 260,000 | * |
| Current executive officers and directors as a group (6 persons)(10) | 6,660,755 | 16.2% |

* Less than 1%

(1) Eli Barkat substantially controls the voting power of EliBarkat Holdings Ltd. The shares listed in the table above for EliBarkat Holdings Ltd. do not include (1) 548,131 Ordinary Shares owned directly by Mr. Barkat,

(2) 1,000 Ordinary Shares owned directly by Mr. Barkat's wife, with respect to which he disclaims beneficial ownership, (3) and 606,592 Ordinary Shares held by BRM Technologies Ltd. in which EliBarkat Holdings Ltd. is a shareholder, with respect to which shares Mr. Barkat and EliBarkat Holdings Ltd. disclaim beneficial ownership except to the extent of their pecuniary interest therein. The address of EliBarkat Holdings Ltd. is 2077 Gateway Place, Suite 500, San Jose, CA 95110.

(2) Yuval Rakavy, a former BackWeb director, owns substantially all of the equity and voting power of Yuval Rakavy Ltd., the parent company of Yuval 63 Holdings (1995) Ltd. The shares listed in the table above for Yuval 63 Holdings (1995) Ltd. do not include 606,592 Ordinary Shares held by BRM Technologies Ltd. in which Yuval 63 Holdings (1995) Ltd. is a shareholder, with respect to which shares Mr. Rakavy and Yuval 63

Table of Contents

Holdings (1995) Ltd. disclaim beneficial ownership except to the extent of their pecuniary interest therein. The address of Yuval 63 Holdings (1995) Ltd. is 2077 Gateway Place, Suite 500, San Jose, CA 95110.

- (3) Nir Barkat, a former BackWeb director, owns substantially all of the equity and voting power of Nir Barkat Ltd., the parent company of NirBarkat Holdings Ltd. Nir Barkat is the brother of Eli Barkat, our Chairman and former Chief Executive Officer. The shares listed in the table above for Nir Barkat Ltd. do not include 606,592 Ordinary Shares held by BRM Technologies Ltd. in which Nir Barkat Ltd. is a shareholder, with respect to which shares Mr. Barkat and Nir Barkat Ltd. disclaim beneficial ownership except to the extent of their pecuniary interest therein. The address of Nir Barkat Ltd. is 2077 Gateway Place, Suite 500, San Jose, CA 95110.
- (4) The shares listed in the table above for Eli Barkat include 3,352,342 Ordinary Shares held by EliBarkat Holdings Ltd., an entity substantially controlled by Eli Barkat, 1,000 Ordinary Shares owned directly by Mr. Barkat's wife, with respect to which he disclaims beneficial ownership, and options to purchase 1,712,812 Ordinary Shares that are exercisable within 60 days of November 20, 2006. The shares listed in the table above for Eli Barkat do not include 606,592 Ordinary Shares held by BRM Technologies Ltd. in which EliBarkat Holdings Ltd., an entity substantially controlled by Mr. Barkat, is a shareholder, with respect to which shares Mr. Barkat and EliBarkat Holdings Ltd. disclaim beneficial ownership except to the extent of their pecuniary interest therein.
- (5) The shares listed in the table above for Ms. Andersen consist of options to purchase 12,500 Ordinary Shares that are exercisable within 60 days of November 20, 2006.
- (6) The shares listed in the table above for Mr. Bellary consist of options to purchase 33,958 Ordinary Shares that are exercisable within 60 days of November 20, 2006.
- (7) The shares listed in the table above for Mr. Makleff consist of options to purchase 33,958 Ordinary Shares that are exercisable within 60 days of November 20, 2006.
- (8) The shares listed in the table above for Mr. Heye include options to purchase 957,583 Ordinary Shares that are exercisable within 60 days of November 20, 2006.
- (9) The shares listed in the table above for Mr. Holmes include options to purchase 250,000 Ordinary Shares that are exercisable within 60 days of November 20, 2006.
- (10) The shares listed in the table above for our executive officers and directors as a group include options to purchase 3,000,811 Ordinary Shares that are exercisable within 60 days of November 20, 2006.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's executive officers and directors and persons who own more than 10% of the Company's Ordinary Shares to file an initial report of ownership on Form 3 and changes in ownership on Form 4 or 5 with the SEC. Executive officers, directors and greater than 10% shareholders are also required by SEC rules to furnish the Company with copies of all Section 16(a) forms they file.

Based solely on its review of the copies of such forms received by it, or written representations from certain reporting persons, the Company believes that, with respect to its fiscal year ended December 31, 2005, all filing requirements applicable to its executive officers, directors and 10% shareholders were met, with the exception of the following: a Form 3 was not filed in connection with the election of Ms. Andersen to the Board in December 2005 and Forms 4

were not filed with respect to the option grants made to (1) Ms. Andersen and each of Messrs. Barkat, Bellary and Makleff in December 2005 and (2) Moshe Raccach, the Company's former Vice President of Business Development and Professional Services, and Pete Szalay, the Company's former Vice President of Sales and Marketing, in connection with the commencement of their employment with the Company in October 2005.

EXECUTIVE COMPENSATION

The following table sets forth the compensation earned for services rendered to us in all capacities for the fiscal years ended December 31, 2005, 2004 and 2003 by our Chief Executive Officer and the Company's one other executive officer who was serving as an executive officer of the Company as of December 31, 2005 and whose total

Table of Contents

salary and bonus for fiscal 2005 was at least \$100,000 (collectively, referred to as Named Executive Officers in this Proxy Statement):

SUMMARY COMPENSATION TABLE

| Name and Principal Position | Year | Annual Compensation | | | Long Term Compensation Awards |
|--------------------------------------------|------|---------------------|------------|-----------------------------------|-----------------------------------|
| | | Salary (\$) | Bonus (\$) | Other Annual Compensation (\$)(3) | Securities Underlying Options (#) |
| William Heye(1) Chief Executive Officer | 2005 | 180,000 | 90,000 | 14,461 | |
| | 2004 | 180,000 | 44,126 | 11,763 | 700,000 |
| | 2003 | 180,000 | 13,771 | 50,977 | 60,000 |
| Ken Holmes(2) Vice President, Finance | 2005 | 155,000 | 56,364 | | |
| | 2004 | 155,000 | 25,480 | | 193,000 |
| | 2003 | 99,260 | 9,141 | | 66,000 |

(1) Mr. Heye became Chief Executive Officer in October 2004. Prior to that, Mr. Heye served as the Company's Vice President, Business Development and Products from April 2003 through 2004 and as the Company's Vice President, Professional Services in 2003 prior to becoming Vice President, Business Development and Products.

(2) Mr. Holmes joined BackWeb in May 2003.

(3) The Other Annual Compensation column includes commission payments and vacation payout amounts.

Stock Option Grants in Last Fiscal Year

The Company did not grant stock options to any of its Named Executive Officers during the fiscal year ended December 31, 2005.

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year End Option Values

None of the Named Executive Officers exercised any of his options during the fiscal year ended December 31, 2005. The following table sets forth the number and value of securities underlying unexercised options held by each of the Named Executive Officers as of December 31, 2005.

Amounts shown under the column Value of Unexercised In-the-Money Options at Fiscal Year End are based on the fair market value, i.e. the closing sale price, of our Ordinary Shares as quoted on the Nasdaq Capital Market on December 30, 2005 (which was \$0.56 per Ordinary Share), the last trading day during 2005, less the exercise price payable for such Ordinary Shares.

Number of Securities

Value of Unexercised

| Name | Underlying Unexercised Options at Fiscal Year End | | In-the-Money Options at Fiscal Year End | |
|--------------|------------------------------------------------------|---------------|--------------------------------------------|---------------|
| | Exercisable | Unexercisable | Exercisable | Unexercisable |
| William Heye | 591,666 | 573,834 | 42,592 | 76,408 |
| Ken Holmes | | | | |