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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) December 1, 2014

BLUEPHOENIX SOLUTIONS LTD.
(Exact name of registrant as specified in its charter)

ISRAEL	333-06208	N/A
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

601 Union Street, Suite 4616, Seattle WA	98101
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (206) 395-4152

Not Applicable.
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a- 12 under the Exchange Act (17 CFR 240.1 4a- 12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.1 4d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.1 3e-4(c))

Item 1.01. Entry into a Material Definitive Agreement.

REGISTRATION RIGHTS AGREEMENT

On December 1, 2014, BluePhoenix Solutions, Ltd., an Israeli company ("BluePhoenix"), entered into a Registration Rights Agreement (the "Registration Rights Agreement") by and between BluePhoenix and Mindus Holdings, LTD ("Mindus").

BluePhoenix agreed to provide Mindus with "piggyback" registration rights with respect to the shares issued to Mindus pursuant to an Amended and Restated Agreement and Plan of Merger (the "Merger Agreement"), dated as of October 14, 2014, by and among BluePhoenix, Modern Systems Corporation (f/k/a BluePhoenix Solutions USA, Inc.), a Delaware corporation and an indirect, wholly-owned subsidiary of BluePhoenix ("Parent"), BP-AT Acquisition LLC, a Delaware limited liability company and a direct, wholly-owned subsidiary of Parent ("Merger Sub"); Ateras; the stockholders of Ateras listed on the signature page thereof; and Scott Miller ("Stockholder Representative"). The Registration Rights Agreement was entered into as a condition to the closing of the merger contemplated by the Merger Agreement.

Pursuant to the Registration Rights Agreement, Mindus is entitled to include in any registration statement filed by BluePhoenix under the Securities Act of 1933, as amended (the "Securities Act"), all or part of the ordinary shares held by Mindus, subject to certain exceptions and cutbacks (the "Piggyback Rights"). In addition, BluePhoenix has agreed to pay expenses and to indemnify Mindus in connection with the exercise of the Piggyback Rights.

The Piggyback Rights terminate upon the earlier of three years after the date of the Registration Rights Agreement, the date of any acquisition, merger, change of control or sale of all or substantially all of the assets of BluePhoenix, or, with respect to any particular holder, at such time that such holder can sell its shares under Rule 144 promulgated under the Securities Act during any three-month period.

A copy of the Registration Rights Agreement is attached as Exhibit 10.1 and is incorporated herein by reference. The foregoing description of the Registration Rights Agreement is qualified in its entirety by reference to the full text of the Registration Rights Agreement.

PREEMPTIVE RIGHTS AGREEMENT

On December 1, 2014, BluePhoenix entered into a Preemptive Rights Agreement by and between BluePhoenix and Mindus (the "Preemptive Rights Agreement"). The Preemptive Rights Agreement was entered into as a condition to the closing of the merger contemplated by the Merger Agreement.

BluePhoenix has agreed to grant Mindus certain preemptive rights to participate in future BluePhoenix issuances of its ordinary shares in accordance with the terms of the Preemptive Rights Agreement. Pursuant to the Preemptive Rights Agreement, Mindus has a right of first refusal to purchase its pro rata share of all equity securities that BluePhoenix proposes to sell and issue, with certain exceptions described below.

If Mindus exercises such right to purchase the offered securities, such shareholder must purchase all (but not a portion) of such securities for the price, terms and conditions so proposed. The preemptive rights do not extend to (i) options, warrants or other ordinary share purchase rights issued to employees, officer or directors, or consultants or advisors pursuant to a plan or agreement, (ii) issuance of securities pursuant to a conversion of convertible securities, (iii) stock splits, stock dividends or recapitalization, (iv) issuance of securities pursuant to a merger, consolidation, acquisition or similar business combination, (v) issuance of securities pursuant to certain commercial arrangements, (vi) issuance of securities in connection with strategic transactions involving BluePhoenix that is approved by the Board of Directors, including Scott Miller or (vii) equity securities issued pursuant to the Merger Agreement.

The preemptive rights described above terminate upon the earlier of three years after the date of the Preemptive Rights Agreement or the date of an acquisition of BluePhoenix.

A copy of the Preemptive Rights Agreement is attached as Exhibit 10.2 and is incorporated herein by reference. The foregoing description of the Preemptive Rights Agreement is qualified in its entirety by reference to the full text of the Preemptive Rights Agreement.

Item 2.01. Completion of Acquisition or Disposition of Assets.

On December 1, 2014, BluePhoenix completed its previously announced acquisition of Sophisticated Business Systems, Inc., a Texas corporation doing business as "Ateras," pursuant to the terms of the Merger Agreement. At the closing, Merger Sub merged with and into Ateras (the "Merger"). As a result of the Merger, the separate corporate existence of Merger Sub ceased and Ateras continued as the surviving corporation and a wholly owned subsidiary of Parent.

Upon the closing of the Merger, BluePhoenix issued 6,195,494 unregistered ordinary shares, par value NIS 0.04 per share, to the former Ateras shareholders in exchange for the cancellation of the shares of Ateras stock held by such shareholders in connection with the Merger.

Neither BluePhoenix nor any of its affiliates has any material relationship with any of Ateras's stockholders other than in respect of the Merger and the transactions contemplated thereby. In connection with the closing of the Merger, Scott Miller was elected to the Board of Directors of BluePhoenix.

The description of the Merger Agreement contained in this Current Report on Form 8-K does not purport to be complete and is qualified in its entirety by reference to the full text of the Merger Agreement, which was filed as an exhibit to the Current Report on Form 8-K filed by BluePhoenix on October 15, 2014.

Item 3.02. Unregistered Sales of Equity Securities.

The information set forth in Item 2.01 above is incorporated by reference herein. The issuance of 6,195,494 unregistered ordinary shares in connection with the Merger is exempt from registration pursuant to Section 4(2) of the Securities Act and Rule 506 promulgated thereunder.

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

Effective December 1, 2014, Scott Miller was elected to the Company's board of directors, to serve until the BluePhoenix's 2015 annual general meeting of shareholders, or until his earlier death, resignation, retirement, disqualification or removal in accordance with the Articles of Association of the Company.

Mr. Miller was elected to the board of directors pursuant to the terms of the Merger Agreement and a Uni Lateral Shareholders' Undertaking dated as of December 1, 2014 by Lake Union Capital Management, LLC, Columbia Pacific Opportunity Fund, LP and Prescott Group Capital Management.

In connection with joining the board of directors, Mr. Miller executed the Company's standard form of indemnification agreement. The disclosures under Item 1.01, 2.01 and 3.02 above are incorporated herein by reference. Mr. Miller is the beneficial owner of the shares of Ateras owned by Mindus.

As of the closing of the Merger, Ateras owed Mr. Miller $220,000 for amounts previously loaned by Mr. Miller to Ateras, which is evidenced by a Promissory Note (the "Note"). The Note will survive the closing of the Merger and the outstanding principal shall bear interest at 2.0% per annum, or 10.0% per annum in the event the Note is not repaid when due and payable. The Note will be due and payable on July 8, 2015 unless it earlier becomes due as follows: in the event that for the three months ended March 31, 2015, the net decrease in cash and cash equivalents of Ateras is less than $200,000 or there is no change in or a net increase in cash and cash equivalents, determined in accordance with accounting principles generally accepted ("GAAP") in the United States of America and on a standalone basis, then the principal and interest of the Note shall be due and payable on April 8, 2015. For purposes of calculating the net decrease or increase in cash and cash equivalents, the effect of any distributions, borrowings or other transactions with the Company or its subsidiaries shall be disregarded and the transactions shall be reversed for purposes of such calculation.

There have been no other related person transactions (within the meaning of Item 404(a) of Regulation S-K promulgated by the SEC) between Mr. Miller and the Company.

Item 7.01. Regulation FD Disclosure.

On December 1, 2014, the Company issued a press release announcing the closing of the merger. A copy of the press release is furnished as Exhibit 99.1. The information contained in this Item 7.01 and the attached Exhibit 99.1 shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(a) Financial statements of businesses acquired.

The audited consolidated financial statements of Sophisticated Business Systems, Inc. dba Ateras for the years ended December 31, 2013 and 2012 and unaudited condensed consolidated financial statements of Sophisticated Business Systems, Inc. dba Ateras as of June 30, 2014 and the notes to such financial statements were included in the Definitive Proxy Statement for the Annual General Meeting of Shareholders dated November 18, 2014 and are hereby incorporated by reference.

(b) Pro forma financial information.

The unaudited pro forma condensed combined financial statements of BluePhoenix reflecting the Merger as of June 30, 2014 and the notes to unaudited pro forma condensed combined financial statements were included in the Definitive Proxy Statement for the Annual General Meeting of Shareholders dated November 18, 2014 and are hereby incorporated by reference.

(d) Exhibits.

10.1	Registration Rights Agreement, dated December 1, 2014.
10.2	Preemptive Rights Agreement, dated December 1, 2014.
99.1	Press Release, dated December 1, 2014.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BLUEPHOENIX SOLUTIONS LTD
(Registrant)

Date December 1, 2014

By /s/ Rick Rinaldo
Rick Rinaldo
Chief Financial Officer

Exhibit Number	Description
10.1	Registration Rights Agreement, dated December 1, 2014.
10.2	Preemptive Rights Agreement, dated December 1, 2014.
99.1	Press Release, dated December 1, 2014.

EXHIBIT 10.1

REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement (the "***Agreement***") is entered into as of December 1, 2014 by and among BluePhoenix Solutions Ltd., an Israeli corporation (the "***Acquiror***"), and the holder of the Acquiror's ordinary shares whose names are set forth on **EXHIBIT A** attached hereto (the "***Shareholder***").

RECITALS

The Acquiror, BluePhoenix Solutions, Inc., a Delaware corporation and an indirect, wholly owned subsidiary of Acquirer ("***Parent***"), BP-AT Acquisition LLC, a Delaware limited liability company and a direct, wholly owned subsidiary of Parent ("***Merger Sub***"); Sophisticated Business Systems, Inc., a Texas corporation doing business as Ateras ("***Target***") and the Shareholder have entered into an Agreement and Plan of Merger dated as of August 13, 2014, as amended (the "***Merger Agreement***"), which provides for the acquisition of Target by the Acquiror through a merger (the "***Merger***") of Sub with and into Target and the issuance by the Acquiror of Acquiror's Ordinary Shares (the "***Acquiror Shares***"), to the shareholders of Target, including the Shareholder, in consideration of the shares of Target (the "***Target Shares***") exchanged by the shareholders of Target in the Merger. As a condition to the closing of the Merger, the Shareholder desires to obtain and the Acquiror has agreed to grant certain registration rights to the Shareholder with respect to the Acquiror Shares.

AGREEMENT

The parties hereby agree as follows:

1. **Registration Rights.**

1.1 **Definitions**. For purposes of this Section 1:

(a) The terms "***register***," "***registered***," and "***registration***" refer to a registration effected by preparing and filing a registration statement or similar document in compliance with the Securities Act of 1933, as amended (the "***Securities Act***"), and the subsequent declaration or ordering of the effectiveness of such registration statement or document.

(b) The term "***Registrable Securities***" means:

(i) the Acquiror Shares; and

(ii) any other ordinary shares of the Acquiror issued as (or issuable upon the conversion or exercise of any warrant, right or other security which is issued as) a dividend or other distribution with respect to, or in exchange for or in replacement of, Acquiror Shares, excluding in all cases, however, any Registrable Securities sold by a person in a transaction in which his or her rights under this Agreement are not assigned; provided, however, that ordinary shares or other securities shall only be treated as Registrable Securities if and so long as they have not been (A) sold to or through a broker or dealer or underwriter in a public distribution or a public securities transaction, or (B) sold in a transaction exempt from the registration and prospectus delivery requirements of the Securities Act under Section 4(1) thereof so that all transfer restrictions, and restrictive legends with respect thereto, if any, are removed upon the consummation of such sale.

(c) The number of shares of ***"Registrable Securities then outstanding***" shall mean the number of ordinary shares outstanding which are, and the number of ordinary shares issuable pursuant to the then exercisable or convertible securities which are, Registrable Securities;

(d) The term "***Holder***" means any holder of outstanding Registrable Securities who acquired such Registrable Securities in a transaction or series of transactions not involving any registered public offering; and

(e) The term "***SEC***" means the Securities and Exchange Commission.

(f) "***Selling Expenses***" means all underwriting discounts, selling commissions, and stock transfer taxes applicable to the sale of Registrable Securities, and fees and disbursements of counsel for any Holder, except for the fees and disbursements of the Selling Holder Counsel borne and paid by the Acquiror as provided in Subsection 1.5.

(g) The term "***Special Registration Statement***" means (i) a registration statement relating to any employee benefit plan or (ii) with respect to any corporate reorganization or transaction under Rule 145 of the Securities Act, any registration statements related to the issuance or resale of securities issued in such a transaction or (iii) a registration related to stock issued upon conversion of debt securities.

1.2 **Piggyback Registrations.** Acquiror shall notify all Holders in writing at least twenty (20) days prior to the filing of any registration statement under the Securities Act for purposes of a public offering of securities of Acquiror (including, but not limited to, registration statements relating to secondary offerings of securities of Acquiror, but excluding Special Registration Statements) and will afford each such Holder an opportunity to include in such registration statement all or part of such Registrable Securities held by such Holder. Each Holder desiring to include in any such registration statement all or any part of the Registrable Securities held by it shall, within fifteen (15) days after the above-described notice from Acquiror, so notify Acquiror in writing. Such notice shall state the intended method of disposition of the Registrable Securities by such Holder. If a Holder decides not to include all of its Registrable Securities in any registration statement thereafter filed by Acquiror, such Holder shall nevertheless continue to have the right to include any Registrable Securities in any subsequent registration statement or registration statements as may be filed by Acquiror with respect to offerings of its securities, all upon the terms and conditions set forth herein.

(a) **Underwriting.** If the registration statement of which Acquiror gives notice under this Section 1.2 is for an underwritten offering, Acquiror shall so advise the Holders of Registrable Securities. In such event, the right of any such Holder to include Registrable Securities in a registration pursuant to this Section 1.2 shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting to the extent provided herein. All Holders proposing to distribute their Registrable Securities through such underwriting shall enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by Acquiror. Notwithstanding any other provision of this Agreement, if Acquiror determines in good faith, based on consultation with the underwriter, that marketing factors require a limitation of the number of shares to be underwritten, the number of shares that may be included in the underwriting shall be allocated, first, to Acquiror; second, to the Holders on a *pro rata* basis based on the total number of Registrable Securities held by the Holders; and third, to any stockholder of Acquiror (other than a Holder) on a *pro rata* basis. If any Holder disapproves of the terms of any such underwriting, such Holder may elect to withdraw therefrom by written notice to Acquiror and the underwriter, delivered at least ten (10) business days prior to the effective date of the registration statement. Any Registrable Securities excluded or withdrawn from such underwriting shall be excluded and withdrawn from the registration. For any Holder which is a partnership, limited liability company or corporation, the partners, retired partners, members, retired members and stockholders of such Holder, or the estates and family members of any such partners, retired partners, members and retired members and any trusts for the benefit of any of the foregoing person shall be deemed to be a single "Holder," and any *pro rata* reduction with respect to such "Holder" shall be based upon 1.2 the aggregate amount of shares carrying registration rights owned by all entities and individuals included in such "Holder," as defined in this sentence.

(b) **Right to Terminate Registration.** Acquiror shall have the right to terminate or withdraw any registration initiated by it under this Section 1.2 whether or not any Holder has elected to include securities in such registration, and shall promptly notify any Holder that has elected to include shares in such registration of such termination or withdrawal.

1.3 **Furnish Information**. It shall be a condition precedent to the obligations of the Acquiror to take any action pursuant to this Section 1 with respect to the Registrable Securities of any selling Holder that such Holder shall furnish to the Acquiror such information regarding itself, the Registrable Securities held by it, and the intended method of disposition of such securities as shall be required to effect the registration of such Holder's Registrable Securities.

1.4 **Obligations of the Acquiror**. In connection with its registration of any Registrable Securities, the Acquiror shall, as expeditiously as reasonably possible:

(a) furnish to the selling Holders such numbers of copies of a prospectus, including a preliminary prospectus, as required by the Securities Act, and such other documents as the Holders may reasonably request in order to facilitate their disposition of their Registrable Securities;

(b) use its commercially reasonable efforts to register and qualify the securities covered by such registration statement under such other securities or blue-sky laws of such jurisdictions as shall be reasonably requested by the selling Holders; provided that the Acquiror shall not be required to qualify to do business or to file a general consent to service of process in any such states or jurisdictions, unless the Acquiror is already subject to service in such jurisdiction and except as may be required by the Securities Act;

(c) in the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the underwriter(s) of such offering;

(d) use its commercially reasonable efforts to cause all such Registrable Securities covered by such registration statement to be listed on a national securities exchange or trading system and each securities exchange and trading system (if any) on which similar securities issued by the Acquiror are then listed;

(e) provide a transfer agent and registrar for all Registrable Securities registered pursuant to this Agreement and provide a CUSIP number for all such Registrable Securities, in each case not later than the effective date of such registration;

(f) promptly make available for inspection by the selling Holders, any underwriter(s) participating in any disposition pursuant to such registration statement, and any attorney or accountant or other agent retained by any such underwriter or selected by the selling Holders, all financial and other records, pertinent corporate documents, and properties of the Acquiror, and cause the Acquiror's officers, directors, employees, and independent accountants to supply all information reasonably requested by any such seller, underwriter, attorney, accountant, or agent, in each case, as necessary or advisable to verify the accuracy of the information in such registration statement and to conduct appropriate due diligence in connection therewith;

(g) notify each selling Holder, promptly after the Acquiror receives notice thereof, of the time when such registration statement has been declared effective or a supplement to any prospectus forming a part of such registration statement has been filed; and

(h) after such registration statement becomes effective, notify each selling Holder of any request by the SEC that the Acquiror amend or supplement such registration statement or prospectus.

1.5 **Expenses of Registration**. All expenses (other than Selling Expenses) incurred in connection with registrations, filings, or qualifications pursuant to Section 1, including all registration, filing, and qualification fees; printers' and accounting fees; fees and disbursements of counsel for the Acquiror; and the reasonable fees and disbursements, not to exceed $25,000, of one counsel for the selling Holders ("***Selling Holder Counsel***"), shall be borne and paid by the Acquiror. All Selling Expenses relating to Registrable Securities registered pursuant to this Section 1 shall be borne and paid by the Holders pro rata on the basis of the number of Registrable Securities registered on their behalf.

1.6 **Indemnification**. In the event any Registrable Securities are included in a registration statement under this Section 1:

(a) To the extent permitted by law, the Acquiror will indemnify and hold harmless each Holder and each person, if any, who controls such Holder within the meaning of the Securities Act or the Securities Exchange Act of 1934, as amended (the "***Exchange Act***"), against any losses, claims, damages, or liabilities (joint or several) to which they may become subject, under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages, or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a "***Violation***"): (i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any final prospectus contained therein or any amendments or supplements thereto, (ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading, or (iii) any violation or alleged violation by the Acquiror of the Securities Act, the Exchange Act, any state securities law or any rule or regulation promulgated under the Securities Act, the Exchange Act or any state securities law; and the Acquiror will pay, as incurred, any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability, or action; provided, however, that the indemnity agreement contained in this subsection 1.6(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability, or action if such settlement is effected without the consent of the Acquiror, which consent shall not be unreasonably withheld, nor shall the Acquiror be liable in any such case for any such loss, claim, damage, liability, or action to the extent that it arises out of or is based upon a Violation which is caused by or contained in written information furnished expressly for use in connection with such registration by such Holder or controlling person.

(b) To the extent permitted by law, each selling Holder will severally (and not jointly and severally) indemnify and hold harmless the Acquiror, each of its directors, each of its officers who has signed the registration statement, each person, if any, who controls the Acquiror within the meaning of the Securities Act or the Exchange Act, any other Holder selling securities in such registration statement and any controlling person of any such other Holder, against any losses, claims, damages, or liabilities (joint or several) to which any of the foregoing persons may become subject, under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages, or liabilities (or actions in respect thereof) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation is caused by or contained in written information furnished by such Holder expressly for use in connection with such registration; and each such Holder will pay, as incurred, any legal or other expenses reasonably incurred by any person intended to be indemnified pursuant to this subsection 1.6(b), in connection with investigating or defending any such loss, claim, damage, liability, or action; provided, however, that the indemnity agreement contained in this subsection 1.6(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Holder, which consent shall not be unreasonably withheld; provided that in no event shall any indemnity under this subsection 1.6(b) exceed the gross proceeds from the offering received by such Holder.

(c) Promptly after receipt by an indemnified party under this Section 1.6 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 1.6, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party shall have the right to retain its own counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action, if prejudicial to its ability to defend such action, shall relieve such indemnifying party of any liability to the indemnified party under this Section 1.6 to the extent that such failure materially prejudices the indemnifying party's ability to defend such action, but the omission so to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 1.6.

(d) If the indemnification provided in this Section 1.6 is held by a court of competent jurisdiction to be unavailable to an indemnified party with respect to any loss, liability, claim, damage or expense referred to therein, then the indemnifying party, in lieu of indemnifying such indemnified party hereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such loss, liability, claim, damage or expense in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of the indemnified party on the other in connection with the statements or omissions that resulted in such loss, liability, claim, damage or expense as well as any other relevant equitable considerations. The relative fault of the indemnifying party and of the indemnified party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information, and opportunity to correct or prevent such statement or omission.

(e) The obligations of the Acquiror and Holders under this Section 1.6 shall survive the completion of any offering of Registrable Securities in a registration statement under this Section 1, and otherwise.

1.7 **No Assignment of Registration Rights**. The rights to cause the Acquiror to register Registrable Securities may not be assigned by the Shareholder.

1.8 **Termination of Registration Rights**. The rights granted under this Section 1 shall terminate upon the earlier of (a) three years following the date of this Agreement, (b) the date of any merger whereby Acquiror does not survive other than a merger to effect a redomiciliation or (c) with respect to any Holder, at such time as such Holder may sell all of such Holder's Registrable Securities in any one three month period pursuant to Rule 144 (or such successor rule as may be adopted).

2. **Miscellaneous**.

2.1 **Amendments and Waivers**. Any term of this Agreement may be amended or waived with the written consent of the Acquiror and the Holders of at least a majority of the outstanding Registrable Securities. Any amendment or waiver effected in accordance with this Section 2.1 shall be binding upon the parties and their respective successors and assigns. In addition, the Acquiror may waive performance of any obligation owing to it, as to some or all of the Holders of Registrable Securities, or agree to accept alternatives to such performance, without obtaining the consent of any Holder of Registrable Securities. Each Holder acknowledges that by the operation of Section 2.1 hereof, the Holders of a majority of the outstanding Registrable Securities, acting in conjunction with the Acquiror, will have the right and power to diminish or eliminate all rights pursuant to this Agreement.

2.2 **Successors and Assigns**. Subject to the provisions of Section 1.7, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

2.3 **Governing Law**. This Agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of Israel without giving effect to principles of conflicts of law.

2.4 **Counterparts**. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument.

2.5 **Titles and Subtitles**. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

2.6 **Notices**. Any notice required or permitted by this Agreement shall be in writing and shall be deemed sufficient upon receipt, when delivered personally or by courier, overnight delivery service or confirmed facsimile, or 48 hours after being deposited in the regular mail as certified or registered mail (airmail if sent internationally) with postage prepaid, if such notice is addressed to the party to be notified at such party's address or facsimile number as set forth below, or as subsequently modified by written notice.

2.7 **Severability**. If one or more provisions of this Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith, in order to maintain the economic position enjoyed by each party as close as possible to that under the provision rendered unenforceable. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (i) such provision shall be excluded from this Agreement, (ii) the balance of the Agreement shall be interpreted as if such provision were so excluded and (iii) the balance of the Agreement shall be enforceable in accordance with its terms.

2.8 **Entire Agreement**. This Agreement is the product of all of the parties hereto, and constitutes the entire agreement between such parties pertaining to the subject matter hereof, and merges all prior negotiations and drafts of the parties with regard to the transactions contemplated herein. Any and all other written or oral agreements existing between the parties hereto regarding such transactions are expressly canceled.

2.9 **Advice of Legal Counsel**. Each party acknowledges and represents that, in executing this Agreement, it has had the opportunity to seek advice as to its legal rights from legal counsel and that the person signing on its behalf has read and understood all of the terms and provisions of this Agreement. This Agreement shall not be construed against any party by reason of the drafting or preparation thereof.

2.10 **Rights of Holders**. Each Holder of Registrable Securities shall have the absolute right to exercise or refrain from exercising any right or rights that such Holder may have by reason of this Agreement, including, without limitation, the right to consent to the waiver or modification of any obligation under this Agreement, and such Holder shall not incur any liability to any other Holder of any securities of the Acquiror as a result of exercising or refraining from exercising any such right or rights.

2.11 **Delays or Omissions**. No delay or omission to exercise any right, power or remedy accruing to any party to this Agreement, upon any breach or default of the other party, shall impair any such right, power or remedy of such non-breaching party nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any party of any breach or default under this Agreement, or any waiver on the part of any party of any provisions or conditions of this Agreement, must be made in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement, or by law or otherwise afforded to any Holder, shall be cumulative and not alternative.

2.12 **Third Parties**. Nothing in this Agreement, express or implied, is intended to confer upon any party, other than the parties hereto, and their respective successors and assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement, except as expressly provided herein.

[Signature Page Follows]

The parties have executed this Agreement as of the date first above written.

ACQUIROR:

BLUEPHOENIX SOLUTIONS LTD.,

By: /s/ Matt Bell
Title: CEO

Address: 601 E Union Street

Suite 4616

Seattle, Washington 98101

SHAREHOLDER:

MINDUS HOLDINGS, LTD

By: /s/ Scott D. Miller
Name: Scott D. Miller
Title:

EXHIBIT A

Shareholder

NAME

Mindus Holdings, LTD

EXHIBIT 10.2

PREEMPTIVE RIGHTS AGREEMENT

This Preemptive Rights Agreement (the "***Agreement***") is entered into as of December 1, 2014 by and among (a) BluePhoenix Solutions Ltd., an Israeli corporation (the "***Acquiror***"), and (b) Mindus Holdings, LTD (the "***Shareholder***").

RECITALS

The Acquiror, Modern Systems Corporation (f/k/a BluePhoenix Solutions, Inc.), a Delaware corporation and an indirect, wholly owned subsidiary of Acquirer ("***Parent***"), BP-AT Acquisition LLC, a Delaware limited liability company and a direct, wholly owned subsidiary of Parent ("***Merger Sub***"); Sophisticated Business Systems, Inc., a Texas corporation doing business as Ateras ("***Target***") and the Shareholders have entered into an Agreement and Plan of Merger dated as of August 13, 2014, as amended (the "***Merger Agreement***"), which provides for the acquisition of Target by the Acquiror through a merger (the "***Merger***") of Sub with and into Target and the issuance by the Acquiror of Acquiror's Ordinary Shares, par value NIS 0.04 per share ("***Acquiror Stock***"), to the shareholder of Target, including the Shareholder, in consideration of the shares of Target (the "***Target Shares***") exchanged by the shareholders of Target in the Merger. As a condition to the closing of the Merger, and subject to consent of the Foreign Parent's shareholders to this Agreement and to the amendment of the Acquiror's Articles of Association enabling the rights granted herein in accordance with applicable law, the Shareholder desires to obtain and the Acquiror has agreed to grant certain preemptive rights to Shareholder with respect to any shares of Acquiror Stock held by Shareholder.

AGREEMENT

The parties hereby agree as follows:

1. **Preemptive Rights**.

1.1 Subject to applicable securities laws, Shareholder shall have a right to purchase its *pro rata* share of all Equity Securities, as defined below, that Acquiror may, from time to time, propose to sell and issue after the date of this Agreement, other than the Equity Securities excluded by Section 1.6 hereof. Shareholder's *pro rata* share is equal to the ratio of (a) the number of shares of Acquiror Stock of which Shareholder is deemed to be a holder immediately prior to the issuance of such Equity Securities to (b) the total number of outstanding shares of Acquiror Stock (including all shares of Acquiror Stock issuable upon exercise or conversion or otherwise pursuant to any Vested Foreign Parent Option that is outstanding or otherwise in effect at such time) immediately prior to the issuance of the Equity Securities. The term "***Equity Securities***" shall mean (a) any shares of Acquiror Stock, (b) any other shares of stock issued by the Acquiror, (c) any other securities of the Acquiror or any of its subsidiaries convertible into, or exchangeable or exercisable for, such shares, or (d) options, warrants or other rights to acquire any such shares and the term "***Vested Foreign Parent Option***" shall mean any options, restricted stock units, securities convertible into or exchangeable for Acquiror Stock outstanding on August 5, 2014, and which remain outstanding, for which the rights of the holders to exercise were fully vested on August 5, 2014, but expressly excluding any warrants or anti-dilution rights (and Acquiror Stock issued pursuant to or upon the exercise thereof) held by or for the benefit of Prescott Group Aggressive Small Cap Master Fund G.P., Prescott Group Capital Management LLC or any affiliate, assignee or successor thereof.

1.2 **Exercise of Rights.** Until termination of the rights hereunder, as set forth in Section 1.4 below, if Acquiror proposes to issue any Equity Securities, it shall give Shareholder written notice of its intention, describing the Equity Securities, the price, the proposed issuance date and the terms and conditions upon which Acquiror proposes to issue the same and the number of Equity Securities that the Shareholder has the right to purchase under this Agreement. Shareholder shall have fifteen (15) days from the giving of such notice to agree to purchase its *pro rata* share of the Equity Securities for the price and upon the terms and conditions specified in the notice by giving written notice to Acquiror and stating therein the quantity of Equity Securities to be purchased. Notwithstanding the foregoing, Acquiror shall not be required to offer or sell such Equity Securities to Shareholder if such offer or sale would cause Acquiror to be in violation of applicable federal securities laws and/or of the Israeli Companies law and/or any other applicable law and/or the Acquiror's Articles of Association, by virtue of such offer or sale. Notwithstanding anything herein to the contrary, Shareholder's rights under this Agreement shall be exercisable only with respect to all (and not a portion of) of Shareholder's *pro rata* share.

1.3 **Sale Without Notice.** In lieu of giving notice to the Shareholder prior to the issuance of Equity Securities as provided in Section 1.2, Acquiror may elect to give notice to each Shareholder within ten (10) days after the issuance of Equity Securities. Such notice shall describe the type, price and terms of the Equity Securities issued thereby and the number of Equity Securities that the Shareholder has the right to purchase under this Agreement. Subject to all applicable law and required consents, Shareholder shall have twenty (20) days from the date of receipt of such notice to elect, by written notice to the Acquiror, to purchase up to the number of shares that would, if purchased by Shareholder, maintain Shareholder's *pro rata* share (as set forth in Section 1.1) of Acquiror Stock. The closing of such sale shall occur within sixty (60) days of the date of notice to the Shareholder or at such later date if so required subject to applicable law.

1.4 **Termination of Preemptive Rights.** The preemptive rights established by this Section 1 shall not apply to, and shall terminate upon the earlier to occur of (a) three years following the date of this Agreement or (b) an Acquisition. "***Acquisition***" shall mean any consolidation or merger of the Acquiror with or into any other corporation or other entity or person, or any other corporate reorganization, other than any such consolidation, merger or reorganization in which the shares of capital stock of the Acquiror immediately prior to such consolidation, merger or reorganization, continue to represent a majority of the voting power of the surviving entity (or, if the surviving entity is a wholly owned subsidiary, its parent) immediately after such consolidation, merger or reorganization. The preemptive rights established by this Section 1 may be amended, or any provision waived with and only with the written consent of Acquiror and the Shareholder.

1.5 **No Assignment of Preemptive rights.** The preemptive rights of Shareholder may be not be assigned by the Shareholder.

1.6 **Excluded Securities.** The preemptive rights established by this Section 1 shall have no application to any of the following:

(a) Ordinary shares and/or options, warrants or other ordinary share purchase rights and the Common Stock issued pursuant to such options, warrants or other rights issued or to be issued after the date hereof to employees, officers or directors of, or consultants or advisors to Acquiror or any subsidiary, pursuant to stock purchase or stock option plans, RSU award plans or other arrangements and incentive plans adopted by the Acquiror;

(b) Shares of Acquiror Stock issued or issuable pursuant to any rights or agreements, options, warrants, restricted share units, or convertible securities outstanding and vested as of August 5, 2014; and shares of Acquiror Stock issued pursuant to any such rights or agreements granted after the date of this Agreement, so long as the preemptive rights established by this Section 1 were complied with, waived, or were inapplicable pursuant to any provision of this Section 1.6 with respect to the initial sale or grant by Acquiror of such rights or agreements;

(c) any Equity Securities issued pursuant to a merger, consolidation, acquisition or similar business combination;

(d) any Equity Securities issued in connection with any stock split, stock dividend or recapitalization by Acquiror;

(e) any Equity Securities issued pursuant to any equipment loan or leasing arrangement, real property leasing arrangement, or debt financing from a bank or similar financial or lending institution;

(f) any Equity Securities issued in connection with strategic transactions involving Acquiror and other entities, including, without limitation, (i) joint ventures, manufacturing, marketing or distribution arrangements or (ii) technology transfer or development arrangements, provided such transaction is approved by Acquiror's Board of Directors, including Scott Miller, so long as he is serving on the Board of Directors; and

(g) any Equity Securities issued in connection with the Merger Agreement.

2. **Miscellaneous**.

2.1 **Amendments and Waivers**. Subject to applicable law and any consent required thereunder, any term of this Agreement may be amended or waived with the written consent of the Acquiror and the Shareholder. Any amendment or waiver effected in accordance with this Section 2.1 shall be binding upon the parties and their respective successors and assigns.

2.2 **Successors and Assigns**. Subject to the provisions of Section 1.5, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

2.3 **Governing Law**. This Agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of Israel, without giving effect to principles of conflicts of law.

2.4 **Counterparts**. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument.

2.5 **Titles and Subtitles**. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

2.6 **Notices**. Any notice required or permitted by this Agreement shall be in writing and shall be deemed sufficient upon receipt, when delivered personally or by courier, overnight delivery service or confirmed facsimile, or 48 hours after being deposited in the regular mail as certified or registered mail (airmail if sent internationally) with postage prepaid, if such notice is addressed to the party to be notified at such party's address or facsimile number as set forth below, or as subsequently modified by written notice.

2.7 **Severability**. If one or more provisions of this Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith, in order to maintain the economic position enjoyed by each party as close as possible to that under the provision rendered unenforceable. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (i) such provision shall be excluded from this Agreement, (ii) the balance of the Agreement shall be interpreted as if such provision were so excluded and (iii) the balance of the Agreement shall be enforceable in accordance with its terms.

2.8 **Entire Agreement**. This Agreement is the product of all of the parties hereto, and constitutes the entire agreement between such parties pertaining to the subject matter hereof, and merges all prior negotiations and drafts of the parties with regard to the transactions contemplated herein. Any and all other written or oral agreements existing between the parties hereto regarding such transactions are expressly canceled. Notwithstanding, in the event of any contradiction between the terms of this Agreement and the Acquiror's Articles of Association, the terms of the Acquiror's Articles of Association shall prevail.

2.9 **Advice of Legal Counsel**. Each party acknowledges and represents that, in executing this Agreement, it has had the opportunity to seek advice as to its legal rights from legal counsel and that the person signing on its behalf has read and understood all of the terms and provisions of this Agreement. This Agreement shall not be construed against any party by reason of the drafting or preparation thereof.

2.10 **Delays or Omissions**. No delay or omission to exercise any right, power or remedy accruing to any party to this Agreement, upon any breach or default of the other party, shall impair any such right, power or remedy of such non-breaching party nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any party of any breach or default under this Agreement, or any waiver on the part of any party of any provisions or conditions of this Agreement, must be made in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement, or by law or otherwise afforded to a Shareholder, shall be cumulative and not alternative.

2.11 **Third Parties**. Nothing in this Agreement, express or implied, is intended to confer upon any party, other than the parties hereto, and their respective successors and assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement, except as expressly provided herein.

[Signature Page Follows]

The parties have executed this Agreement as of the date first above written.

ACQUIROR:

BLUEPHOENIX SOLUTIONS LTD.,

By: /s/ Matt Bell
Title: CEO

Address: 601 E Union Street
Suite 4616
Seattle, Washington 98101

SHAREHOLDER:

MINDUS HOLDINGS, LTD

By: /s/ Scott D. Miller
Name: Scott D. Miller
Title:

EXHIBIT 99.1

MODERNSYSTEMS

Press Release, 12/1/2014

BluePhoenix and ATERAS Complete Merger; Commence Operations as Modern Systems

Strategic Combination Creates a Global Legacy Modernization Leader
BPHX to Change Ticker Symbol to "MDSY"

Seattle, WA and Dallas, TX – December 1, 2014 - BluePhoenix Solutions Ltd. (NASDAQ: BPHX) and Sophisticated Business Systems, Inc. (d/b/a ATERAS) announced the closing of the merger of the two companies. The combined company will be a leading provider of legacy modernization services for Fortune 1000 businesses and government agencies worldwide.

The new combined company will adopt the Modern Systems brand identity and be headquartered in Seattle, Washington. Since the merger agreement was announced in August, the two companies have been preparing an integration plan designed to rapidly combine the operations of the two companies into one. The plan is now substantially complete, and the integration process will begin in December, followed up with an integrated product roadmap early in the first quarter of 2015.

"Among our shared customers, several have already chosen solutions from both firms, underscoring the potential of our highly complementary product suites. We are committed to building on our best-in-class solutions portfolio to create the most compelling and comprehensive offering for both current and new customers seeking legacy modernization solutions and services," Modern Systems CEO Matt Bell commented.

"This merger represents the best strategic move for both ATERAS and BluePhoenix Solutions Ltd., and it is the strategy most likely to deliver increased value to our respective shareholders," said ATERAS CEO Scott Miller, who has joined the new combined company's Board of Directors. "We are confident the combined company will increase our competitive advantage in products, sales distribution and sales support, while enhancing our relationships with customers and partners."

"The merger positions us to streamline our business and leverage opportunities for cost-efficiency, and at the same time increase the service we can bring to our customers," said Bell. "The beauty of this merger is that it brings together two companies, each with strong offerings targeted to different needs in our target corporate customers. By combining these complementary offerings, we can provide customers with a broad range of solutions that meets the diverse needs of any organization. Conversations with our customers over the last weeks indicate they recognize and welcome this value."

Ticker Symbol and Name Change

BluePhoenix Solutions Ltd. has notified NASDAQ that it will be changing its trading symbol from BPHX to MDSY. BluePhoenix Solutions Ltd. expects this change to occur within the next week. BluePhoenix Solutions Ltd. has also obtained shareholder approval to change the name of BluePhoenix Solutions Ltd. to be consistent with the new Modern Systems brand identity.

General Facts:

Headquarters: Corporate headquarters of the combined Company will be in Seattle, WA; North American offices will be in Dallas, Texas, Washington, DC and Charlotte, NC.

Senior Management:

Matt Bell, President and Chief Executive Officer

James Carpenter, Vice-President of Engineering

Cindy Howard, Vice-President, Technology and Solutions

Ed Lord, Vice-President of Worldwide Sales

Rick Oppedisano, Vice-President of Product Management and Marketing

Rick Rinaldo, Chief Finance Officer

About Modern Systems Corporation

Modern Systems Corporation, an indirect, wholly-owned subsidiary of BluePhoenix Solutions Ltd. (NASDAQ: BPHX), is a leading provider of legacy modernization services. The Modern Systems portfolio includes a comprehensive suite of tools and services that modernize legacy applications and databases incrementally or all at once. Modern Systems technologies can be applied to source applications and databases leveraging COBOL, Natural Adabas, IDMS, CA Coolgen and more. The modernized environments can leverage Java, C#, SQL Server, Oracle Database, IBM DB2 and virtual infrastructure to deliver identical or better functionality and performance. Modern Systems customers come from diverse industries and vertical markets such as automotive, banking and financial services, insurance, manufacturing, and retail. BluePhoenix Solutions Ltd. has offices in the USA, the UK, Italy, Romania, and Israel.

Media Contacts

Rick Oppedisano, Vice President of Global R&D and Marketing, Modern Systems

(704) 649-3173

About the Merger

BluePhoenix and ATERAS entered into a merger agreement in August 2014. The merger was approved by the shareholders of BluePhoenix Solutions Ltd. at a meeting held on November 18, 2014. Pursuant to the terms of the merger agreement, ATERAS became a wholly owned subsidiary of Modern Systems Corporation, which is an in-direct wholly owned subsidiary of BluePhoenix Solutions Ltd. The former ATERAS stockholders were issued 6, 195,494 ordinary shares of BluePhoenix Solutions Ltd. The merger closed on December 1, 2014.

Forward-Looking Statements

This press release may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are based on BluePhoenix's management's beliefs and assumptions and on information currently available to BluePhoenix's management. All statements other than statements of historical facts are "forward-looking statements" for purposes of these provisions, including those relating to future events or our future financial performance and financial guidance. In some cases, you can identify forward-looking statements by terminology such as "may," "might," "will," "should," "expect," "plan," "anticipate," "project," "believe," "estimate," "predict," "potential," "intend" or "continue," the negative of terms like these or other comparable terminology, and other words or terms of similar meaning in connection with any discussion of future operating or financial performance. These statements are only predictions. All forward-looking statements included in this document are based on information available to BluePhoenix on the date hereof, and BluePhoenix assumes no obligation to update any such forward-looking statements. Any or all forward-looking statements in this document may turn out to be wrong. Actual events or results may differ materially. Forward-looking statements can be affected by inaccurate assumptions BluePhoenix might make or by known or unknown risks, uncertainties and other factors. These risks and uncertainties include but are not limited to: the risk that the businesses may not be combined successfully or in a timely and cost-efficient manner the risk that business disruption relating to the merger may be greater than expected; and such other risks and uncertainties as identified in BluePhoenix's most recent Annual Report on Form 10-K and other reports filed by it with the Securities and Exchange Commission. All names and trademarks are their owners' property.