

Limelight Networks, Inc.
Form 10-K
February 20, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 2013

OR

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

For the transition period from _____ to _____
Commission file number 001-33508

Limelight Networks, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)
222 South Mill Avenue, 8th Floor
Tempe, AZ 85281

20-1677033
(I.R.S. Employer Identification No.)
Name of each exchange on which registered
NASDAQ Global Select Market

(Address of principal executive offices, including Zip Code)
(602) 850-5000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class
Common Stock, \$0.001 par value

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T

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(§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting Company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant was approximately \$125.6 million based on the last reported sale price of the common stock on the Nasdaq Global Select Market on June 28, 2013.

The number of shares outstanding of the registrant's Common Stock, par value \$0.001 per share, as of February 3, 2014: 97,843,306 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the Registrant's 2014 Annual Meeting of Stockholders are incorporated by reference in Part III of this Form 10-K.

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LIMELIGHT NETWORKS, INC.

ANNUAL REPORT ON FORM 10-K

For the Fiscal Year Ended December 31, 2013

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This annual report on Form 10-K contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, among other things, statements as to industry trends, our future expectations, operations, financial condition and prospects, business strategies and other matters that do not relate strictly to historical facts. These statements are often identified by the use of words such as “may,” “will,” “expect,” “believe,” “anticipate,” “intend,” “could,” “estimate,” or “continue,” and similar expressions or variations. These statements are based on the beliefs and assumptions of our management relying on information currently available to management. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the section titled “Risk Factors” set forth in Part I, Item 1A of this annual report on Form 10-K. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. We undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements. All information is presented in thousands, except per share amounts, customer count and where specifically noted.

PART I

Item 1. Business

Overview

Limelight operates a globally distributed, high-performance, computing platform (our global network) and provides a suite of integrated services including content delivery services, video content management services, performance services for website and web application acceleration, and cloud storage services. These four primary service groups work collectively to enable organizations to deliver digital content to any device, anywhere in the world.

The suite of services that we offer collectively comprises our Limelight Orchestrate Platform (the Orchestrate Platform). Recently, we launched a revised website that brought further focus to what we offer to the market by aligning products to four core solutions-Video Delivery, Web Delivery, Mobile Delivery, and Software Delivery-that better reflect the core functionality and strength of the Orchestrate Platform. Included in this version of the website launch was the renaming of the Orchestrate Digital Presence Platform to the Limelight Orchestrate Platform, bringing a tighter focus to what we believe is the core service Limelight brings to the market, the delivery of digital content from publishers to end-users.

As a result of our renewed focus, we sold our Orchestrate Content Management service in December 2013. Consistent with our focus on digital content delivery services, the integration of our services and the disposal of our web content management service line, going forward we will no longer distinguish between value added services and non-value added services.

The services we provide through the Orchestrate Platform help our customers optimize and deliver digital content to web, mobile, social, gaming, large screen, and other digital channels. These services provide advanced features including video publishing, mobile enablement, content delivery, website and web application acceleration, transcoding, and cloud storage. These services leverage our global network, which provides highly available, highly redundant storage, bandwidth, and computing resources, as well as connectivity to last-mile broadband network providers.

We derive revenue primarily from the sale of services that comprise components of the Orchestrate Platform. We also generate revenue through the sale of professional services and other infrastructure services, such as transit and rack space services. We also maintain relationships with resellers that purchase our services for resale to their end customers.

We provide our services to customers that we believe view Internet, mobile, social, and other digital initiatives as critical to their success, including traditional and emerging media companies operating in the television, music, radio, newspaper, magazine, movie, game, software, and social media industries, as well as to enterprises, technology companies, and government entities conducting business online. Our offerings enable our customers to deliver a high quality online experience across all customer interaction channels, and thereby improve brand awareness, drive revenue, and enhance their customer relationships.

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We are a Delaware corporation formed in 2001. Our principal executive offices are located at 222 South Mill Avenue, 8th Floor, Tempe, Arizona 85281, and our main telephone number is (602) 850-5000. We began development of our infrastructure in 2001 and began generating meaningful revenue in 2002. We began international operations in 2004. As of December 31, 2013, we had approximately 1,295 active customers and had a presence in approximately 52 countries throughout the world. As used herein, “Limelight,” “we,” “us” and “our” refer to Limelight Networks, Inc. and its subsidiaries, unless the context indicates otherwise.

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We are registered as a reporting company under the Securities Exchange Act of 1934, as amended (Exchange Act). Accordingly, we file or furnish with the Securities and Exchange Commission, or the Commission, annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to such reports as required by the Exchange Act and the rules and regulations of the Commission. We refer to these reports as "Periodic Reports". The public may read and copy any Periodic Reports or other materials we file with the Commission at the Commission's Public Reference Room at 100 F. Street, NE, Washington, DC 20549. Information on the operation of the Public Reference Room is available by calling 1-800-SEC-0330. In addition, the Commission maintains an Internet website that contains reports, proxy and information statements and other information regarding issuers, such as Limelight Networks, Inc., that file electronically with the Commission. The address of this website is www.sec.gov. Our Internet website address is www.limelight.com. We make available, free of charge, on or through our Internet website our Periodic Reports and amendments to those Periodic Reports as soon as reasonably practicable after we electronically file them with the Commission. We are not, however, including the information contained on our website, or information that may be accessed through links on our website, as part of, or incorporating it by reference into, this annual report on Form 10-K.

Six Trends Driving Internet Traffic Growth

We believe there are six important trends significantly impacting any organization's ability to deliver digital experiences and conduct their on-line-business operations across web, mobile, social, and large screen channels to a wide variety of online, mobile and connected devices. We believe these trends are:

The evolution of digital marketing. As the global online economy has continued to expand and grow, it has become increasingly difficult for businesses to capture consumer attention. Because of this difficulty, we anticipate that marketing will continue to evolve from broadcast advertising and other marketing messages to engaging with users through conversations associated with content in a variety of places including websites and social networks. We believe this kind of engagement requires that content be delivered in a manner that meets the high user expectations for the delivery and responsiveness of digital experiences.

The continued growth of online video. Consumers are increasingly demanding and consuming, and publishers are increasingly making available for these consumers, video, music, and other forms of rich media over the Internet. In particular, we anticipate that consumer demand for online video will continue to grow rapidly. This anticipation is supported by Cisco's annual report of Internet traffic and consumer behavior that predicts by 2017, over 70% of Internet traffic will be online video. Because of this trend, we expect that businesses will continue to incorporate video into their digital marketing efforts as a way to further differentiate their message from competitors and generate new opportunities for engagement. Video consumption on mobile devices is also growing rapidly.

Mobile First. We believe that mobile is becoming increasingly important as a primary method users use to interact with online content, a position supported by Google's 2012 "The Multi-Screen World" study that among other things, concluded that consumers typically utilize four devices every day to consume content-smartphones, tablets, PCs, and TVs. The study further indicated that consumers start many activities on their mobile devices and finish them on larger screens. Ultimately, mobile devices enable consumers to remain connected and engaged with an organization's story when they are away from their primary computers or TVs. But in order for those consumers to remain engaged, the experience must be consistent across devices. An organization's dynamic content and video has to be accessible regardless of device and provide the same engagement and interaction with those users.

The continued migration of IT services into the cloud. Enterprises may seek to decrease infrastructure expenditures by moving to a "cloud-based" model in which application delivery and storage are available on-demand and paid for on an as-needed basis. We anticipate that the core cloud computing market will continue to grow at a rapid pace as the cloud increasingly becomes a mainstream IT strategy embraced by corporate enterprises and government agencies. This core market includes platform-as-a-service (PaaS) and infrastructure-as-a-service (IaaS) offerings, as well as the cloud-delivered software used to build and manage a cloud environment.

Increasing user expectations for digital experience performance. Websites are becoming increasingly complex and large while user expectations for website performance are becoming more demanding. We anticipate that these demanding consumer expectations will drive a continued need for website and web application acceleration services.

The combination of performance expectation coupled with multi-device delivery creates a considerable challenge for most organizations.

Increasing need for scalable storage. According to International Data Corporation, the amount of data created each year has grown exponentially: it reached 2.8 zettabytes in 2012 and is expected to double by 2015. We believe this exponential growth in data production will create demand for flexible and scalable storage mechanisms to support growing libraries of digital content not only for direct storage, but also for indirect replication and backup. We

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anticipate the need for digital content storage and replication/backup to increase because of the growing demand for video and other types of digital content as well as other trends like the continued migration of IT services into the cloud.

Requirements for delivering effective digital experiences

We believe that the challenges of delivering a global digital presence, and ensuring effective audience experience with digital content, particularly related to rich media, dynamic content, and applications over the Internet to a wide variety of mobile and connected devices have created a new set of technical, management, and economic requirements for organizations seeking to succeed in the online economy. We believe those requirements include the following:

Reduction of IT involvement. As businesses rely increasingly on cloud-based services they will require more intuitive web-based interfaces that enable adoption and usage of the cloud-based services by the entire company or organization, regardless of location, with less direct IT support required.

Business rules-based content delivery. Consumers increasingly expect the ability to consume any form of media content online. To meet this expectation, traditional media companies are making their enormous libraries of content, such as television shows and movies, available for viewing online. Content providers often have regulations with respect to where they can display their content. Accordingly, companies require powerful features that enable them to control where content is stored, for how long, and in what regions it can be delivered.

Ability to scale capacity to handle rapidly accelerating demand. Online businesses must scale delivery of their web presence smoothly as the quantity of their site visitors or audience increases to avoid delays for users.

- When a large number of users simultaneously access a particular digital content asset like a website or video, the operator must be able to meet that surge in demand without making users wait. Rapidly accelerating demand can be related to a single event, such as a breaking news story or seasonal shopping, or can be spread across an entire library of content, such as when a social media website surges in popularity.

Ability to easily publish and deliver online video. As the consumer demand for online video grows, businesses and organizations may be required to adopt video into their marketing messages. But there are a host of complexities involved in developing and implementing a “video publishing workflow.” Businesses will require intuitive tools that will enable them to manage their video portfolio, and quickly and efficiently publish and deliver their video content at scale with quality performance. Additionally, businesses will require that video content can be converted automatically for quality playing on any mobile device with the opportunity to integrate advertisements into on-demand assets.

Addressing mobile users. With the increasing popularity of smartphones and tablets, businesses and organizations must ensure that their content, whether dynamic web pages or video, display properly in their mobile format.

However, adding this requirement to existing content publishing workflows may greatly complicate internal processes that may result in delays for making content available to end users. Additionally, because many mobile devices have separate requirements, businesses will require features for automatically delivering correctly formatted content.

Reliability. Throughout the path data must traverse to reach a user, problems with the underlying infrastructure supporting the Internet can occur. For example, servers can crash or network connections can fail. Network, datacenter, or service provider outages can mean frustrated users, lost audiences, and missed revenue opportunities. Businesses require a massively redundant network.

Security. Maintaining effective security is a challenge for any enterprise that operates an Internet presence. Threats, such as attacks, viruses, and piracy can impact online web presence in many ways, including compromising personal and sensitive information, loss of customer trust and loyalty, loss of revenue, and negative publicity and brand reputation. Businesses require services that employ a number of software and network features to mitigate the risk of unauthorized access to content and network-related attacks against web properties.

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Our Services

We believe our integrated, feature-rich, suite of services and solutions coupled with our global network are responsive to the trends that are driving internet growth and address the requirements for delivering effective digital experiences.

Our primary services include the following:

Content delivery services improve the reliability and performance of digital content by using our global network to deliver rich media files such as video, music, games, and software, or live streaming of corporate or entertainment events. We support all major formats as well as dynamic and static webpages.

Mobile delivery services help publishers deliver properly-formatted, device-optimized video to almost any media-enabled mobile device as well as to present dynamic pre-, mid-, or post-roll video and audio advertising into media that is delivered to mobile or connected users. These mobility services automatically detect the requesting mobile device and provide a version of the content suitable to that device.

Video content management services help organizations publish, manage, syndicate, analyze, and monetize video content through a cloud-based service. Services here also include off-the-shelf players for quick deployment, a mobile application to capture video in the field, and monetization features that enable customers to integrate advertising into the video playback experience.

Performance services improve web experiences by speeding up the loading of web pages for faster action and providing consistent performance from any geography for dynamic and personalized content, online commerce transactions, and web applications.

Cloud storage services provide customers with a scalable, redundant, geographically diverse storage of media and enterprise content offering policies for global geographic placement, content workflow, and business logic controls.

Insight services are our reporting and analytics capabilities that enable customers to manage and configure how their content is delivered and presented to online users. Together, our complete set of reporting and analytics services help online businesses increase efficiency, reduce expenses, improve end-user experience, and provide insight into performance of content delivery or web property. These services include features such as customer provisioning, custom control over delivery and storage options, custom reports, and an Internet health monitor that provides insight into potential sources of end user experience issues.

Professional services help customers assess their digital content delivery and optimization strategies and provide best practice support for network architecture design, storage infrastructure, web application development, creative design, live event execution, and the design, deployment, and management of infrastructure.

Limelight Networks Global Network

Our global network provides highly available, highly redundant storage, bandwidth, and computing resources in support of our services and solutions. This architecture, managed by our proprietary software, automatically responds to network and datacenter outages and disruptions. All of our delivery locations are interconnected via our global network and also connected to multiple Internet backbone and broadband Internet service provider (ISP) networks. Additionally, each location has redundant network equipment connectivity and server capacity, enabling us to continue serving content even if a network connection or server fails. Automatic failover and recovery not only provide uninterrupted customer service but also simplify network maintenance and upgrades. This global network has three main features:

Densely configured, high-capacity. Our global network consists of dense clusters of specially configured servers organized into large, multi-tiered, logical delivery locations. The extensive storage capacity of these logical locations leads to fewer cache misses to our network of servers than we believe would occur in other content delivery network (CDN) architectures and provides significant scalability and responsiveness to surges in end-user demand. The clustering of many high-performance CPUs provide us with aggregated computational power.

Many connections to other networks. Our logical locations are directly connected to hundreds of ISPs and other user access networks, which are computer networks connected to end-users. In addition, for dedicated connectivity between our logical locations, we operate a dedicated fiber optic backbone and metro area networks. Also, our infrastructure has multiple connections to the Internet. In combination, these connections enable us to frequently bypass the often-congested public Internet, improving the delivery speed of content.

Intelligent software to manage the network. We have developed proprietary software that manages our global network. This software manages, among other things, the delivery of digital content, the retrieval of dynamic content, storage and retrieval of objects, activity logging, and information reporting.

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Segment and Geographic Information

We operate in one industry segment, providing content delivery and related services and solutions for global businesses to deliver their digital content across Internet, mobile, and social channels. We operate in three geographic areas - Americas; Europe, Middle East and Africa (EMEA); and Asia Pacific. For the years ended December 31, 2013, 2012, and 2011, approximately 32%, 30%, and 30%, respectively, of our total revenue was derived from our operations outside the Americas. For the years ended December 31, 2013, 2012, and 2011, we derived approximately 57%, 57%, and 62%, respectively of our international revenue from EMEA and approximately 43%, 43%, and 38%, respectively, of our international revenue from Asia Pacific. For the year ended December 31, 2013, we made reclassifications to certain customers within our geographic regions. This was primarily the result of customers relocating from one geographic region to another geographic region. For all periods presented customers are reported in their new geographic region. The impact of the customer reclassifications from previously reported amounts were as follows. For the year ended December 31, 2012, Americas increased \$1,734 or 1%, EMEA increased \$4,422 or 17%, and Asia Pacific decreased \$6,156 or 21%. For the year ended December 31, 2011, Americas increased \$567 or 1%, EMEA increased \$5,729 or 22%, and Asia Pacific decreased \$6,296 or 24%. During 2013 and 2011, no single country outside of the United States accounted for 10% or more of our total revenues. During 2012, we had two countries, Japan and the United States that represented more than 10% of our total revenues. For a description of risks attendant to our foreign operations, see the section titled "Risk Factors" set forth in Part 1, Item 1A of this annual report on Form 10-K. For more segment and geographic information, including revenue from customers, a measure of profit or loss, and total assets for each of the last three fiscal years, see our Consolidated Financial Statements included in this annual report on Form 10-K, including Note 23 thereto.

Sales, Service and Marketing

Our sales and service professionals are located in five offices in the United States with an additional nine office locations in EMEA and Asia Pacific. We target media, high tech, software, gaming, enterprise and government agencies and other organizations for which the delivery of digital content is critical to the success of their business using:

- Telesales. Our telesales force is responsible for qualifying demand, and managing direct sales opportunities within the small and mid-market.

- Field sales. Our field sales force is responsible for managing direct sales opportunities in major accounts and channels.

Resellers and distribution partners. We maintain relationships with selected resellers who have relationships with target customers in specific regions or markets, and with selected partners who embed our services or solutions into their offerings.

Our sales and service organization includes employees in telesales and field sales, professional services, account management, and solutions engineering. As of December 31, 2013, we had approximately 124 employees in our sales and service organization. Our ability to achieve revenue growth in the future will depend in large part on whether we successfully recruit, train, and retain sufficient sales, technical, and global services personnel, and how well we establish and maintain our distribution and reseller relationships. We believe that the complexity of our services will continue to require highly trained global sales and services personnel.

To support our sales efforts and promote the Limelight brand, we conduct marketing programs. Our marketing strategies include an active public relations campaign, advertisements, events and trade shows, strategic alliances, and on-going customer communication programs. As of December 31, 2013, we had 21 employees in our global marketing organization.

Customers

Our customers operate in the media, entertainment, gaming, software, enterprise, and public sectors. As of December 31, 2013, we had approximately 1,295 active customers worldwide, including many widely recognized names in the fields of video, digital music, news media, games, rich media applications, and software delivery. During 2013, some of our most notable customers included Amazon, Bell Canada, QVC, Swiss Re, Electronic Arts, Ciena, NetApp, Middle East Broadcasting Company, NFL, Microsoft, Netflix, Nintendo Wii, Nissan, Sony PlayStation,

ABC, BBC, NBC, Punjab Kesari Group, and Fasig Tipton.

During 2013, 2012 and 2011, we had one customer, Netflix who accounted for more than 10% of our revenue. For each of the years ended December 31, 2013, 2012 and 2011, Netflix represented approximately 11% of our total revenue. We recently entered into an agreement with Netflix to extend our relationship into mid-2014. In the past, the customers that comprise our top 10 customers have continually changed, and our large customers may not continue to be as significant going forward as they have been in the past.

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From time to time we have discontinued service to customers for non-payment. Although we did not receive continuing revenue from these former customers, these changes provided for a stronger mix of customers across our base, decreased our days sales outstanding, and allowed us to recoup network capacity to help meet future growth needs. We continue to focus on acquiring and retaining high quality customers across all market segments.

Competition

We operate in the digital content delivery market, which is rapidly evolving and highly competitive. We expect this competitive environment to continue. We believe that the principal competitive factors affecting this market fall into three primary categories: management, delivery, and metrics.

Management for digital content is measured by the features available for managing, publishing, and delivering digital content across multiple channels and to multiple devices.

Delivery for digital content is measured by scale and performance. We measure scale by the number of physical locations in the network and the capabilities of the network to deliver large amounts of content to locations around the world and to absorb unplanned spikes in requests for content. We measure performance by file delivery time, end-user media consumption rates, quality of the end-user experience, and scalability, both in terms of average capacity and special event capacity.

In addition, metrics around the ability to efficiently locate and deliver web content, the ease of implementation, the ability to customize systems for unique content types and mixes, reliability, security, consumer engagement, and cost efficiency continue to be key criteria for this market.

The market for digital content delivery is increasingly complex and can require multiple vendors to provide customers with a complete set of tools and services to manage and deliver all of their digital content to all audiences as part of a global digital presence. We believe customers will increasingly look for a single vendor to help them deliver their digital content, to lower costs in relationship and administration management, reduce risk to their business, increase overall quality and speed of delivery, and improve and measure consumer engagement effectiveness.

We believe our integrated suite of services and solutions supported by our global network compete effectively in digital content delivery and provide a competitive advantage in that our integrated suite coupled with our global network help obviate the need for customers to seek and manage multiple vendors who provide multiple point solutions. We also believe the combination of cloud-based software (SaaS) and infrastructure/bandwidth associated with the physical global network (IaaS) solve multiple challenges for IT departments by removing the need to install, manage, or provision software and hardware to satisfy the requirements for storing and delivering digital content. We believe our future success will depend on our ability to continue to enhance the performance, integration, and functionality of our existing suite of services and of our global network, and on our ability to add additional services and functionality to meet the market's increasing expectations regarding digital content delivery and consumer engagement.

The global digital content delivery market is fragmented, but we face primary competition from Akamai, and to a lesser extent, Level 3 Communication. Other competitors in the market include Amazon, CDN Networks, ChinaCache, and Edgecast, who recently announced that it entered into a definitive agreement pursuant to which it will be acquired by Verizon in early 2014.

The principal methods of competition in this market include scale, performance, service, ease of use, product features, and price. We believe we are competitive in scale, performance, and price, while focusing on rapid improvements in service and ease of use. Product feature competition is heated, requiring continuous investment in innovation.

Research and Development

Our research and development organization is responsible for the design, development, testing, and certification of the software, hardware, and network architecture of our global network and support of our content delivery and other Orchestrate Platform solutions. As of December 31, 2013, we had 117 employees in our research and development group. Our research and development personnel are primarily located in San Francisco, California; Seattle, Washington; Tel Aviv, Israel; Lviv, Ukraine and at our headquarters in Tempe, Arizona. Our engineering efforts support product development across all of our service areas, as well as innovation related to the global network itself.

We test our services to ensure scalability in times of peak demand. We use internally developed and third-party software to monitor and to improve the performance of our network in the major Internet consumer markets around the world where we provide services for our customers. Our research and development expenses were \$22,003, \$20,182 and \$17,163 in 2013, 2012 and 2011, respectively, including stock-based compensation

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expense of \$2,256, \$2,743, and \$3,554 in 2013, 2012, and 2011, respectively. We believe that the investments that we have made in research and development have been effectively utilized.

Intellectual Property

Our success depends in part upon our ability to protect our core technology and other intellectual capital. To accomplish this, we rely on a combination of intellectual property rights, including patents, trade secrets, copyrights, trademarks, domain registrations, and contractual protections.

As of December 31, 2013, we had received 82 patents in the United States, expiring between 2023 and 2033, the Patent and Trademark Office had allowed four more U.S. applications, and we had 79 U.S. patent applications pending. We have 16 issued patents in foreign countries. We do not know whether any of our patent applications will result in the issuance of a patent or whether the examination process will require us to narrow our claims. Any patents that may be issued to us may be contested, circumvented, found unenforceable or invalidated, and we may not be able to prevent third parties from infringing them. Therefore, we cannot predict the exact effect of having a patent with certainty.

As of December 31, 2013, we had received five trademarks in the United States. Our name, Limelight Networks, has been filed for multiple classes in the United States, Australia, Canada, the European Union, India, Japan, South Korea and Singapore. We have seven pending trademark applications in foreign countries, and 22 non United States trademarks registered. There is a risk that pending trademark applications may not issue, and that those trademarks that have issued may be challenged by others who believe they have superior rights to the marks.

We generally control access to and use of our proprietary software and other confidential information through the use of internal and external controls, including physical and electronic security, contractual protections with employees, contractors, customers and partners, and domestic and foreign copyright laws.

Despite our efforts to protect our trade secrets and proprietary rights and other intellectual property rights by following sound business practices, licenses, and confidentiality agreements, there is risk that unauthorized parties may still copy or otherwise obtain and use our software and technology. In addition, we have been expanding our international operations, and effective patent, copyright, trademark, and trade secret protection may not be available or may be limited in foreign countries. Further, expansion of our business with additional employees, locations, and legal jurisdictions may create greater risk that our trade secrets and proprietary rights will be harmed. If we fail to effectively protect our intellectual property and other proprietary rights, our business could be harmed.

Third parties could claim that our products or technologies infringe their proprietary rights. The Internet content delivery services industry is characterized by the existence of a large number of patents, trademarks, and copyrights and by frequent litigation based on allegations of infringement or other violations of intellectual property rights. We expect that infringement claims may further increase as the number of products, services, and competitors in our market increases. Further, continued success in this market may provide an impetus to those who might use intellectual property litigation as a weapon against us.

During 2013 we were party to a lawsuit alleging aspects of our content delivery network infringed upon third party patent rights. More information about this case, Akamai Technologies, Inc. vs. Limelight Networks, Inc., is described in further detail under "Legal Proceedings" in Part 1, Item 3 of this annual report on Form 10-K. We have been the target of intellectual property infringement claims in the past and may be the target of such claims by third parties in the future.

Employees

As of December 31, 2013, we had 482 employees. Of these employees, 362 are based in North America, 88 are based in EMEA and 32 are based in Asia Pacific. None of our employees are represented by a labor union, and we have not experienced any work stoppages to date. We consider the relationships with our employees to be positive.

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Executive Officers of the Registrant

Our executive officers and their ages and positions as of February 1, 2014 are as follows:

| Name | Age | Position |
|-------------------------|-----|--|
| Robert A. Lento | 52 | President, Chief Executive Officer and Director |
| Peter J. Perrone | 46 | Senior Vice President, Chief Financial Officer and Treasurer |
| Philip C. Maynard | 59 | Senior Vice President, Chief Legal Officer and Secretary |
| Charles Kirby Wadsworth | 57 | Chief Marketing Officer |
| George E. Vonderhaar | 53 | Chief Sales Officer |

Robert A. Lento has served as our Chief Executive Officer since November 2012 and has served as a member of our board of directors since January 2013. Prior to joining us, Mr. Lento was a senior sales executive at Convergys Corporation, a provider of customer management services, from July 1998 to May 2012, most recently serving as President - Information Management Division from September 2007 to May 2012. Prior to that, from 1997 to 1998, Mr. Lento served as President of LAN Systems for Donnelly Enterprise Solutions, Inc., a provider of information management solutions. From 1989 to 1996, Mr. Lento served in leadership positions at ENTEX Information Services, Inc., a provider of computing infrastructure services. Mr. Lento received a B.S. in Management from the State University of New York.

Peter J. Perrone has served as our Senior Vice President, Chief Financial Officer and Treasurer since November 2013. Prior to that Mr. Perrone served as our Senior Vice President since joining the Company in August 2013. Prior to joining us, Mr. Perrone was a Vice President in Goldman, Sachs & Co.'s Principal Investment Area since 2002 and became a Managing Director in 2007. Prior to transferring to the Principal Investment Area in 2001, Mr. Perrone worked in the High Technology Group at Goldman, Sachs & Co., where he started as an Associate in 1999. Mr. Perrone received a B.S. from Duke University, an M.S. from the Georgia Institute of Technology and an M.B.A. from the Massachusetts Institute of Technology, Sloan School of Management. Mr. Perrone previously served as a member of our board of directors since July 2006. Mr. Perrone resigned from his position as a member of our board of directors, as a member of the Nominating and Governance Committee, and as a member and the Chairman of the Compensation Committee in August 2013, prior to joining the Company. Mr. Perrone also currently serves on the board of directors of Endurance International Group, Inc.

Philip C. Maynard has served as our Senior Vice President, Chief Legal Officer and Secretary since October 2007. From August 2004 to October 2006, Mr. Maynard served as Senior Vice President, Chief Legal Officer and Secretary of FileNet Corporation, a provider of data and content management software for managing and sharing information across corporate networks and the Internet, and as Associate General Counsel for IBM Corporation from October 2006 to October 2007, following IBM's acquisition of FileNet. From March 2004 to August 2004, Mr. Maynard served as Executive Vice President and Chief Legal Officer of SRS Labs, Inc., a leading provider of audio enhancement and integrated circuit solutions. From 2003 to 2004, Mr. Maynard was of counsel with the law firm of Stradling Yocca Carlson & Rauth in Newport Beach, California. From 2000 to 2002, Mr. Maynard served as Vice President & Division General Counsel for Invensys Software Systems, a division of Invensys, PLC, a UK-based engineering firm. From 1997 to 2000, Mr. Maynard was General Counsel for Wonderware Corporation, a leading developer of industrial automation software solutions, which was acquired by Invensys. Mr. Maynard received his J.D. (magna cum laude) from Loyola Law School in Los Angeles, California.

Charles Kirby Wadsworth has served as our Chief Marketing Officer since June 2012. Prior to joining us, Mr. Wadsworth served as Vice President, Global Marketing for F5 Networks, Inc., a provider of cloud computing services, from September 2007 to May 2012. Prior to that, Mr. Wadsworth served as Senior Vice President, Marketing and Business Development for Acopia Networks, Inc., a provider of file virtualization services, from August 2006 to September 2007. Mr. Wadsworth received an M.B.A. from the Kellogg School of Management at Northwestern University and a B.S. in Information Systems from Northeastern University.

George E. Vonderhaar has served as our Chief Sales Officer since February 2013. Prior to joining us, Mr. Vonderhaar served in various capacities for Convergys Corporation, a provider of customer management services, from 1984 through 2012, including as Senior Vice President, General Manager - Cable and Satellite from January 2011 until the division was acquired by NEC Corporation in May 2012, where Mr. Vonderhaar then served as Vice President,

General Manager North America Cable from May 2012 to July 2012. Mr. Vonderhaar also was Senior Vice President - Human Resources Management at Convergys Corporation from April 2006 through June 2010, when the Human Resources Outsourcing division was acquired by NorthgateArinso, where Mr. Vonderhaar then served as Vice President, Client Services and General Manager from June 2010 to December 2010. Mr. Vonderhaar also served as General Manager - Mobile Cable Solutions Group at Convergys Corporation from November 2004 to April 2006. Mr. Vonderhaar received a B.S. in Business Administration from Marquette University.

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Item 1A. Risk Factors

You should carefully consider the risks described below. These risks are not the only risks that we may face. Additional risks and uncertainties that we are unaware of, or that we currently deem immaterial, also may become important factors that affect us. If any of the following risks occurs, our business, financial condition or results of operations could be materially and adversely affected which could cause our actual operating results to differ materially from those indicated or suggested by forward-looking statements made in this annual report on Form 10-K or presented elsewhere by management from time to time.

Risks Related to Our Business

We currently face competition from established competitors and may face competition from others in the future. We compete in markets that are intensely competitive, rapidly changing and characterized by frequently declining prices and vendors offering a wide range of alternate solutions. We have experienced and expect to continue to experience increased competition on price, features, functionality, integration and other factors. Many of our current competitors, as well as a number of our potential competitors, have longer operating histories, greater name recognition, broader customer relationships and industry alliances and substantially greater financial, technical and marketing resources than we do. As a consequence of the competitive dynamics in our market we have experienced reductions in our prices, and an increased requirement for product advancement and innovation in order to remain competitive, which in turn adversely affect our revenue, gross margin and operating results.

Our primary competitors for the content delivery service offering of our Orchestrate Platform include Akamai, Level 3 Communications, Amazon, CDNetworks, and Edgecast, which recently announced a definitive agreement pursuant to which it will be acquired by Verizon in early 2014. Also, as a result of the growth of the content delivery market, a number of companies have recently entered or are currently attempting to enter our market, either directly or indirectly, some of which may become significant competitors in the future. Given the relative ease by which customers typically can switch among content delivery service providers, differentiated offerings or pricing by competitors could lead to a rapid loss of customers. Some of our current or potential competitors may bundle their offerings with other services, software or hardware in a manner that may discourage content providers from purchasing the services that we offer. In addition, as we expand internationally, we face different market characteristics and competition with local content delivery service providers, many of which are very well positioned within their local markets. Increased competition could result in price reductions and revenue shortfalls, loss of customers and loss of market share, which could harm our business, financial condition and results of operations. Our primary competitors for our SaaS Orchestrate Platform offerings include Brightcove, Ooyala, Fastly, Highwinds, Yotta, as well as open source product such as Kaltura. However, the competitive landscape is different from content delivery in this area in that the process of changing vendors can be more costly and complicated for the customer, which could make it difficult for us to attract new customers and increase our market share. If we are unable to increase our customer base and increase our market share, our business, financial condition and results of operations may suffer.

If we are unable to sell our services at acceptable prices relative to our costs, our revenue and gross margins will decrease, and our business and financial results will suffer.

Prices for content delivery services have fallen in recent years and are likely to fall further in the future. We have invested significant amounts in purchasing capital equipment to increase the capacity of our global computing network. Our investments in our infrastructure are based upon our assumptions regarding future demand and also prices that we will be able to charge for our services. These assumptions may prove to be wrong. If the price that we are able to charge customers to deliver their content falls to a greater extent than we anticipate, if we over-estimate future demand for our services or if our costs to deliver our services do not fall commensurate with any future price declines, we may not be able to achieve acceptable rates of return on our infrastructure investments and our gross profit and results of operations may suffer dramatically.

As we further expand our global network and the Orchestrate Platform, and as we refresh our network equipment, we are dependent on significant future growth in demand for our services to justify additional capital expenditures. If we fail to generate significant additional demand for our services, our results of operations will suffer, and we may fail to achieve planned or expected financial results. There are numerous factors that could, alone or in combination with

other factors, impede our ability to increase revenue, moderate expenses or maintain gross margins, including:

- continued price declines arising from significant competition;
- increasing settlement fees for certain peering relationships;
- failure to increase sales of our Orchestrate Platform services;

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increases in electricity, bandwidth and rack space costs or other operating expenses, and failure to achieve decreases in these costs and expenses relative to decreases in the prices we can charge for our Orchestrate Platform services and products;

- inability to maintain our prices relative to our costs;
- failure of our current and planned services and software to operate as expected;
- loss of any significant customers or loss of existing customers at a rate greater than our increase in new customers or our sales to existing customers;
- failure to increase sales of our Orchestrate Platform services to current customers as a result of their ability to reduce their monthly usage of our services to their minimum monthly contractual commitment;
- failure of a significant number of customers to pay our fees on a timely basis or at all or failure to continue to purchase our Orchestrate Platform services in accordance with their contractual commitments; and
- inability to attract high quality customers to purchase and implement our current and planned services.

We expect a significant and increasing portion of our revenue to be derived collectively from our video content management services, performance services for website and web application acceleration, and cloud storage services. These services tend to have higher gross margins than our content delivery services. We do not have a long history of offering these services, and we may not be able to achieve the growth rates in such services revenue that we or our investors expect or have experienced in the past. There are numerous companies that compete in providing these services, and many of these companies have greater financial and sales resources than we do. We may not be successful in competing against current and new providers of these services. If we are unable to achieve the growth rates in revenue that we expect for these service offerings, our revenue and operating results could be significantly and negatively affected.

If we are unable to develop new services and enhancements to existing services or fail to predict and respond to emerging technological trends and customers' changing needs, our operating results and market share may suffer. The market for our Orchestrate Platform services is characterized by rapidly changing technology, evolving industry standards and new product and service introductions. Our operating results depend on our ability to predict user preferences or industry changes, and modify our solutions and services on a timely basis or develop and introduce new services into existing and emerging markets. The process of developing new technologies is complex and uncertain. We must commit significant resources to developing new services or enhancements to our existing services before knowing whether our investments will result in services the market will accept. Furthermore, we may not execute our technology initiatives successfully because of errors in planning or timing, technical hurdles that we fail to overcome in a timely fashion, misunderstandings about market demand or a lack of appropriate resources. As prices for content delivery services continue to fall, we will increasingly rely on new product offerings and other Orchestrate Platform service offerings to maintain or increase our gross margins. Failures in execution, delays in bringing new or improved products or services to market, failure to effectively integrate service offerings or market acceptance of new services we introduce could result in competitors providing those solutions before we do, which could lead to loss of market share, revenue and earnings.

Rapidly evolving technologies or new business models could cause demand for our Orchestrate Platform services to decline or could cause these services to become obsolete.

Customers, potential customers or third parties may develop technological or business model innovations that address digital delivery requirements in a manner that is, or is perceived to be, equivalent or superior to our Orchestrate Platform service offerings. This is particularly true as our customers increase their operations and begin expending greater resources on delivering their content using third party solutions. If we fail to offer content delivery, video content management and other related services that are competitive to in-sourced solutions, we may lose additional customers or fail to attract customers that may consider pursuing this in-sourced approach, and our business and financial results would suffer.

Also, if competitors introduce new products or services that compete with or surpass the quality or the price or performance of our services, we may be unable to renew our agreements with existing customers or attract new customers at the prices and levels that allow us to generate attractive rates of return on our investment. For example,

one or more third parties might develop improvements to current peer-to-peer technology, which is a technology that relies upon the computing power and bandwidth of its participants, such that this technological approach is better able to deliver content in a way that is competitive to our content delivery services, or even makes content delivery services obsolete. We may not anticipate such developments and may be unable to adequately compete with these potential solutions. In addition, our customers' business models may change in ways that we do not anticipate, and these changes could reduce or eliminate our customers' needs for our services. If this occurred, we could lose customers or potential customers, and our business and financial results would suffer.

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As a result of these or similar potential developments, in the future it is possible that competitive dynamics in our market may require us to reduce our prices faster than we anticipate, which could harm our revenue, gross margin and operating results.

We may lose customers if they are unable to build business models that effectively monetize delivery of their content. Some of our customers will not be successful in selling advertising, subscriptions, or otherwise monetizing the content we deliver on their behalf and consequently may not be successful in creating a profitable business model. This will result in some of our customers discontinuing their Internet or web-based business operations and discontinuing use of our services and solutions. Further, weakness and related uncertainty in the global financial markets and economy - which has included, among other things, significant reductions in available capital and liquidity from banks and other providers of credit, substantial reductions and/or fluctuations in equity and currency values worldwide and concerns that portions of the worldwide economy may be in a prolonged recessionary period - may materially adversely impact our customers' access to capital or willingness to spend capital on our services or in some cases, ultimately cause the customer to file for protection from creditors under applicable insolvency or bankruptcy laws or simply go out of business. This uncertainty may also impact our customers' levels of cash liquidity, which could affect their ability or willingness to timely pay for services that they will order or have already ordered from us. From time to time we discontinue service to customers for non-payment of services. We expect further customers may discontinue operations or not be willing or able to pay for services that they have ordered from us. Further loss of customers may adversely affect our financial results.

More individuals are using mobile and alternative devices to access the Internet, and the solutions developed for these devices may not be widely deployed.

The number of people who access the Internet through devices other than PCs, including mobile devices, game consoles and television set-top devices, has increased dramatically in the past few years. The capabilities of these devices are advancing dramatically and the increasing need to provide a high quality video experience will present us and other providers with significant challenges. If we are unable to deliver our service offerings to a substantial number of alternative device users and at a high quality, or if we are slow to develop services and technologies that are more compatible with these devices, we will fail to capture a significant share of an increasingly important portion of the market. Such a failure could limit our ability to compete effectively in an industry that is rapidly growing and changing.

Any unplanned interruption or substantial and extensive degradation in the functioning of our network or services, or attacks on our internal information technology systems, could lead to significant costs and disruptions that could reduce our revenue and harm our business, financial results and reputation.

Our business is dependent on providing our customers with fast, efficient and reliable distribution of content delivery and digital asset management services over the Internet every minute of every day. Many of our customers depend primarily or exclusively on our services to operate their businesses. Consequently, any disruption, or substantial and extensive degradation of our services could have a material impact on our customers' businesses. Our network or services could be disrupted by numerous events, including natural disasters, failure or refusal of our third party network providers to provide the necessary capacity or access, failure of our software or global network infrastructure and power losses. In addition, we deploy our servers in third party co-location facilities, and these third-party co-location providers could experience system outages or other disruptions that could constrain our ability to deliver our services. We may also experience disruptions caused by software viruses, unauthorized hacking of our systems, security breaches or other cyber attacks by unauthorized users. Any unauthorized hacking of our systems or other cyber attacks by unauthorized users could lead to the unauthorized release of confidential information that could damage our customers' business and reputation, as well as our own.

We could experience a significant, unplanned disruption, or substantial and extensive degradation of our services, or our network may fail in the future. Despite our significant infrastructure investments, we may have insufficient communications and server capacity to address these or other disruptions, which could result in interruptions in our services. Any widespread interruption or substantial and extensive degradation in the functioning of our Orchestrate Platform services for any reason would reduce our revenue and could harm our business and financial results. If such a widespread interruption occurred, or if we failed to deliver content to users as expected during a high-profile media

event, game release or other well-publicized circumstance, our reputation could be damaged severely. Moreover, any disruptions, significant degradation, or security breaches could undermine confidence in our services and cause us to lose customers or make it more difficult to attract new ones, either of which could harm our business and results of operations.

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We are a party to a lawsuit with a significant competitor, and an adverse outcome in that lawsuit is possible, which could have a significant, adverse effect on our financial condition and operations. If an injunction were entered against us, it could force us to cease providing some significant portion of our content delivery services.

We are currently a defendant in one significant lawsuit (see discussion in “Legal Proceedings” in Part I, Item 3 of this annual report on Form 10-K). The expenses of defending this lawsuit and other lawsuits to which we are or may become a party, particularly fees paid to our lawyers and expert consultants, have been significant and may continue to adversely affect our operating results during the pendency of such lawsuits. Also, this litigation has been a distraction to our management and technical personnel.

On August 31, 2012, the Court of Appeals for the Federal Circuit issued its opinion in *Akamai Technologies, Inc. v. Limelight Networks, Inc.* The court stated that the trial court correctly determined that we did not directly infringe Akamai’s ’703 patent, and as such it upheld the trial court’s decision to vacate the original jury’s damages award. The court also held that we did not infringe Akamai’s ’413 or ’645 patents. However, a slim majority in this three-way divided opinion also announced a revised legal theory of induced infringement, remanded the case to the trial court, and gave Akamai an opportunity for a new trial to attempt to prove that we induced our customers to infringe Akamai’s patent under the court’s new legal standard. We filed a petition to appeal this sharply divided Court of Appeals decision to the Supreme Court, and on January 10, 2014, the Supreme Court granted our petition for writ of certiorari and will hear argument in our case on April 30, 2014. An adverse ruling could seriously impact our ability to conduct our business and to offer our products and services to our customers. A permanent injunction could prevent us from operating our content delivery services or from delivering certain types of traffic, which could impact the viability of those portions of our business. Any adverse ruling, in turn, would harm our revenue, market share, reputation, liquidity and overall financial position.

We are from time to time party to other lawsuits in addition to that described above. Lawsuits are expensive to defend and to prosecute, and require a diversion of management time and attention away from other activities to pursue the defense or prosecution of such matters. Adverse ruling in such lawsuits either alone or cumulatively may have an adverse impact on our revenue, expenses, market share, reputation, liquidity and overall financial position.

We need to defend our intellectual property and processes against patent or copyright infringement claims, which may cause us to incur substantial costs and threaten our ability to do business.

Companies, organizations or individuals, including our competitors, may hold or obtain patents or other proprietary rights that would prevent, limit or interfere with our ability to make, use or sell our services or develop new services, which could make it more difficult for us to operate our business. From time to time, we may receive inquiries from holders of patents inquiring whether we infringe their proprietary rights. Companies holding Internet-related patents or other intellectual property rights are increasingly bringing suits alleging infringement of such rights or otherwise asserting their rights and seeking licenses. In addition, many of our agreements with customers require us to indemnify such customers for third-party intellectual property infringement claims against them. Pursuant to such agreements, we may be required to defend such customers against certain claims which could cause us to incur additional significant costs. Any litigation or claims, whether or not valid, could result in substantial costs and diversion of resources. In addition, if we are determined to have infringed upon a third party’s intellectual property rights, we may be required to do one or more of the following:

- cease selling, incorporating or using products or services that incorporate the challenged intellectual property;
- pay substantial damages;
- obtain a license from the holder of the infringed intellectual property right, which license may or may not be available on reasonable terms or at all; or
- redesign products or services.

If we are forced to take any of these actions, our business may be seriously harmed. In the event of a successful claim of infringement against us and our failure or inability to obtain a license to the infringed technology, our business and operating results could be harmed.

Our business may be adversely affected if we are unable to protect our intellectual property rights from unauthorized use or infringement by third parties.

We rely on a combination of patent, copyright, trademark and trade secret laws and restrictions on disclosure to protect our intellectual property rights. We have applied for patent protection in the United States and a number of foreign countries. These legal protections afford only limited protection and laws in foreign jurisdictions may not protect our proprietary rights as fully as in the United States. Monitoring infringement of our intellectual property rights is difficult, and we cannot be certain that the steps we have taken will prevent unauthorized use of our intellectual property rights. Developments and changes in

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patent law, such as changes in interpretations of the joint infringement standard, could restrict how we enforce certain patents we hold. We also cannot be certain that any pending or future patent applications will be granted, that any future patent will not be challenged, invalidated or circumvented, or that rights granted under any patent that may be issued will provide competitive advantages to us.

We use certain “open-source” software the use of which could result in our having to distribute our proprietary software, including our source code, to third parties on unfavorable terms, which could materially affect our business.

Certain of our service offerings use software that is subject to open-source licenses. Open-source code is software that is freely accessible, usable and modifiable. Certain open-source code is governed by license agreements, the terms of which could require users of such open-source code to make any derivative works of such open-source code available to others on unfavorable terms or at no cost. Because we use open-source code, we may be required to take remedial action to protect our proprietary software. Such action could include replacing certain source code used in our software, discontinuing certain of our products or taking other actions that could divert resources away from our development efforts.

In addition, the terms relating to disclosure of derivative works in many open-source licenses are unclear. We periodically review our compliance with the open-source licenses we use and do not believe we will be required to make our proprietary software freely available. However, if a court interprets one or more such open-source licenses in a manner that is unfavorable to us, we could be required to make our software available at no cost.

If we fail to manage future growth effectively, we may not be able to market and sell our services successfully.

Our future operating results depend to a large extent on our ability to successfully manage our operations. For example, we must be effective in training new sales personnel in our varied and increasing offerings to become productive and generate revenue, forecasting revenue, controlling expenses and investments in anticipation of expanded operations, implementing and enhancing our global network and administrative infrastructure, systems and processes, addressing new markets, and expanding our international operations. A failure to manage our growth effectively could materially and adversely affect our ability to market and sell our products and services.

Our business depends on a strong brand reputation, and if we are not able to maintain and enhance our brand, our business will suffer.

We believe that maintaining and enhancing the “Limelight Networks” brand is important to expanding our base of customers and maintaining brand loyalty among customers and that the importance of brand recognition will increase due to the growing number of competitors providing similar services and solutions. Maintaining and enhancing our brand may require us to make substantial investments in research and development and in the marketing of our solutions and services and these investments may not be successful. If we fail to promote and maintain the “Limelight Networks” brand, or if we incur excessive expenses in this effort, our business and results of operations could be adversely impacted. We anticipate that, as our market becomes increasingly competitive, maintaining and enhancing our brand may become increasingly difficult and expensive. Maintaining and enhancing our brand will depend largely on our ability to be a technology leader and to continue to provide high quality solutions and services, which we may not do successfully.

We depend on a limited number of customers for a substantial portion of our revenue in any fiscal period, and the loss of, or a significant shortfall in demand from these customers could significantly harm our results of operations.

During any given fiscal period, a relatively small number of customers typically account for a significant percentage of our revenue. Sales to our top 10 customers in 2013 accounted for approximately 35% of our total revenue. During 2013, we had one customer, Netflix that represented approximately 11% of our total revenue. We recently entered into an agreement with NetFlix to extend our relationship into mid-2014. Large customers may not continue to be as significant going forward as they have been in the past.

In the past, the customers that comprised our top 10 customers have continually changed, and we also have experienced significant fluctuations in our individual customers’ usage of our services. As a consequence, we may not be able to adjust our expenses in the short term to address the unanticipated loss of a large customer during any particular period. As such, we may experience significant, unanticipated fluctuations in our operating results which may cause us to not meet our expectations or those of stock market analysts, which could cause our stock price to decline.

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If we are unable to attract new customers or to retain our existing customers, our revenue could be lower than expected and our operating results may suffer.

In addition to adding new customers, to increase our revenue, we must sell additional services to existing customers and encourage existing customers to increase their usage levels. If our existing and prospective customers do not perceive our services to be of sufficiently high value and quality, we may not be able to retain our current customers or attract new customers. We sell our services pursuant to service agreements that generally include some form of financial minimum commitment. Our customers have no obligation to renew their contracts for our services after the expiration of their initial commitment, and these service agreements may not be renewed at the same or higher level of service, if at all. Moreover, under some circumstances, some of our customers have the right to cancel their service agreements prior to the expiration of the terms of their agreements. This fact, in addition to the changing competitive landscape in our market, means that we cannot accurately predict future customer renewal rates or usage rates. Our customers' renewal rates may decline or fluctuate as a result of a number of factors, including:

- their satisfaction or dissatisfaction with our services;
- the prices of our services;
- the prices of services offered by our competitors;
- discontinuation by our customers of their Internet or web-based content distribution business;
- mergers and acquisitions affecting our customer base; and
- reductions in our customers' spending levels.

If our customers do not renew their service agreements with us, or if they renew on less favorable terms, our revenue may decline and our business may suffer. Similarly, our customer agreements often provide for minimum commitments that are often significantly below our customers' historical usage levels. Consequently, even if we have agreements with our customers to use our services, these customers could significantly curtail their usage without incurring any penalties under our agreements. In this event, our revenue would be lower than expected and our operating results could suffer.

It also is an important component of our growth strategy to market our services and solutions to industries, such as enterprise and the government. As an organization, we do not have significant experience in selling our services into these markets. We have only recently begun a number of these initiatives, and our ability to successfully sell our services into these markets to a meaningful extent remains unproven. If we are unsuccessful in such efforts, our business, financial condition and results of operations could suffer.

Our results of operations may fluctuate in the future. As a result, we may fail to meet or exceed the expectations of securities analysts or investors, which could cause our stock price to decline.

Our results of operations may fluctuate as a result of a variety of factors, many of which are outside of our control. If our results of operations fall below the expectations of securities analysts or investors, the price of our common stock could decline substantially. In addition to the effects of other risks discussed in this section, fluctuations in our results of operations may be due to a number of factors, including:

- our ability to increase sales to existing customers and attract new customers to our content delivery and other Orchestrate Platform services ;
- the addition or loss of large customers, or significant variation in their use of our content delivery and other Orchestrate Platform services;
- costs associated with current or future intellectual property lawsuits and other lawsuits;
- service outages or third party security breaches to our platform or to one or more of our customers' platforms;
- the amount and timing of operating costs and capital expenditures related to the maintenance and expansion of our business, operations and infrastructure;
- the timing and success of new product and service introductions by us or our competitors;
- the occurrence of significant events in a particular period that result in an increase in the use of our content delivery and other Orchestrate Platform services, such as a major media event or a customer's online release of a new or updated video game;
- changes in our pricing policies or those of our competitors;

- the timing of recognizing revenue;
- limitations of the capacity of our global network and related systems;
- the timing of costs related to the development or acquisition of technologies, services or businesses;
- the potential write-down or write-off of intangible or other long-lived assets;

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general economic, industry and market conditions (such as the fluctuations experienced in the stock and credit markets during the recent deterioration of global economic conditions) and those conditions specific to Internet usage; limitations on usage imposed by our customers in order to limit their online expenses; and war, threat of war or terrorist actions, including cyber terrorism targeted broadly, at us, or our customers, or both, and inadequate cyber security.

We believe that our revenue and results of operations may vary significantly in the future and that period-to-period comparisons of our operating results may not be meaningful. You should not rely on the results of one period as an indication of future performance.

We have a history of losses and we may not achieve or maintain profitability in the future.

Since 2006, we have been profitable only one year, which was as a result of a reversal of a significant reserve for litigation. Our adoption of ASC 718 in 2006 substantially increased the amount of share-based compensation expense we record and has had a significant impact on our results of operations. This significant amount of share-based compensation expense reflects an increase in the level of stock options, restricted stock and restricted stock unit grants. Also, we have incurred, and continue to incur significant costs associated with litigation. Our share-based compensation expense and any material ongoing litigation costs could adversely affect our ability to achieve and maintain profitability in the future.

We also may not achieve sufficient revenue to achieve or maintain profitability and may continue to incur significant losses in the future, which could cause the price of our common stock to decline. We may incur significant losses in the future for a number of reasons, including slowing demand for our services, increasing competition and competitive pricing pressures, any inability to generally provide our services in a cost-effective manner, as well as other risks described herein, and we may encounter unforeseen expenses, difficulties, complications and delays, and other unknown factors.

We could incur charges due to impairment of goodwill and long-lived assets.

As of December 31, 2013, we had a goodwill balance of \$77,035, which is subject to periodic testing for impairment. Our long-lived assets also are subject to periodic testing for impairment. A significant amount of judgment is involved in the periodic testing. Failure to achieve sufficient levels of cash flow could result in impairment charges for goodwill or fixed asset impairment for long-lived assets, which could have a material adverse effect on our reported results of operations. Our goodwill impairment analysis also includes a comparison of the aggregate estimated fair value of our reporting unit to our total market capitalization. If our stock trades below our book value a significant and sustained decline in our stock price and market capitalization could result in goodwill impairment charges. During times of financial market volatility, significant judgment will be used to determine the underlying cause of the decline and whether stock price declines are short-term in nature or indicative of an event or change in circumstances. Impairment charges, if any, resulting from the periodic testing are non-cash.

We generate our revenue primarily from the sale of content delivery services, and the failure of the market for these services to expand as we expect or the reduction in spending on those services by our current or potential customers would seriously harm our business.

While we offer our customers a number of services and solutions associated with our Orchestrate Platform, we generate the majority of our revenue from charging our customers for the content delivered on their behalf through our global network. We are subject to an elevated risk of reduced demand for these services. Furthermore, if the market for delivery of rich media content in particular does not continue to grow as we expect or grows more slowly, then we may fail to achieve a return on the significant investment we are making to prepare for this growth. Our success, therefore, depends on the continued and increasing reliance on the Internet for delivery of media content and our ability to cost-effectively deliver these services. Factors that may have a general tendency to limit or reduce the number of users relying on the Internet for media content, the amount of content consumed by our customers' users or the number of providers making this content available online include a general decline in Internet usage, litigation involving our customers and third party restrictions on online content, including copyright restrictions, digital rights management and restrictions in certain geographic regions, system impairments or outages, including those caused by hacking or cyber attacks, as well as a significant increase in the quality or fidelity of offline media content beyond that

available online to the point where users prefer the offline experience. The influence of any of these factors may cause our current or potential customers to reduce their spending on content delivery services, which would seriously harm our operating results and financial condition.

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Many of our significant current and potential customers are pursuing emerging or unproven business models, which, if unsuccessful, could lead to a substantial decline in demand for our content delivery and other Orchestrate Platform services.

Because the proliferation of broadband Internet connections and the subsequent monetization of content libraries for distribution to Internet users are relatively recent phenomena, many of our customers' business models that center on the delivery of rich media and other content to users remain unproven. Our customers will not continue to purchase our content delivery and other Orchestrate Platform services if their investment in providing access to the media stored on or deliverable through our global network does not generate a sufficient return on their investment. A reduction in spending on services by our current or potential customers would seriously harm our operating results and financial condition.

We may have difficulty scaling and adapting our existing architecture to accommodate increased traffic and technology advances or changing business requirements, which could lead to the loss of customers and cause us to incur unexpected expenses to make network improvements.

Our content delivery and other Orchestrate Platform services are highly complex and are designed to be deployed in and across numerous large and complex networks. Our global network infrastructure has to perform well and be reliable for us to be successful. The greater the user traffic and the greater the complexity of our solutions and services, the more resources we will need to invest in additional infrastructure and support. Further, as a result of our on-going litigation in the Akamai Technologies, Inc. v. Limelight Networks, Inc. lawsuit (including the adverse jury verdict in February 2008 in that matter which verdict was overturned by the court's April 24, 2009 order granting our motion for JMOL), we made significant investment in designing and implementing changes to our network architecture in order to implement our content delivery services in a manner we believe does not infringe the claims of Akamai's '703 patent as alleged in the February 2008 trial. We have spent and expect to continue to spend substantial amounts on the purchase and lease of equipment and data centers and the upgrade of our technology and network infrastructure to handle increased traffic over our network, implement changes to our network architecture and integrate existing solutions and to roll out new solutions and services. This expansion is expensive and complex and could result in inefficiencies, operational failures or defects in our network and related software. If we do not implement such changes or expand successfully, or if we experience inefficiencies and operational failures, the quality of our solutions and services and user experience could decline. From time to time, we have needed to correct errors and defects in our software or in other aspects of our network. In the future, there may be additional errors and defects that may harm our ability to deliver our services, including errors and defects originating with third party networks or software on which we rely. These occurrences could damage our reputation and lead us to lose current and potential customers. We must continuously upgrade our infrastructure in order to keep pace with our customers' evolving demands. Cost increases or the failure to accommodate increased traffic or these evolving business demands without disruption could harm our operating results and financial condition.

Our operations are dependent in part upon communications capacity provided by third party telecommunications providers. A material disruption of the communications capacity we have leased could harm our results of operations, reputation and customer relations.

We lease private line capacity for our backbone from a third party provider, Global Crossing. Our contracts for private line capacity with Global Crossing generally have terms of three to four years. The communications capacity we have leased may become unavailable for a variety of reasons, such as physical interruption, technical difficulties, contractual disputes, or the financial health of our third party provider. Further one of our direct competitors acquired Global Crossing. Although alternative providers are available, it would be time consuming and expensive to identify and obtain alternative third party connectivity, and accordingly we are dependent on Global Crossing in the near term. Failure of Global Crossing could jeopardize utilization of the service fees pre-paid by us under our agreement with Global Crossing. Additionally, as we grow, we anticipate requiring greater private line capacity than we currently have in place. If we are unable to obtain such capacity on terms commercially acceptable to us or at all, our business and financial results would suffer. We may not be able to deploy on a timely basis enough network capacity to meet the needs of our customer base or effectively manage demand for our services.

Our business depends on continued and unimpeded access to third party controlled end-user access networks.

Our content delivery services depend on our ability to access certain end-user access networks in order to complete the delivery of rich media and other online content to end-users. Some operators of these networks may take measures, such as the deployment of a variety of filters, that could degrade, disrupt or increase the cost of our or our customers' access to certain of these end-user access networks by restricting or prohibiting the use of their networks to support or facilitate our services, or by charging increased fees to us, our customers or end-users in connection with our services. A recent United States Court of Appeals ruling struck down FCC regulations that prohibited phone and cable companies from discriminating among content producers in delivering data over their networks. As a result, our customers could experience increased cost or slower data on

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these third-party networks. If we or our customers experience increased cost in delivering content to end users as a result of this ruling, or otherwise, or if end users perceive a degradation of quality, our business and that of our customers may be significantly harmed. This or other types of interference could result in a loss of existing customers, increased costs and impairment of our ability to attract new customers, thereby harming our revenue and growth. In addition, the performance of our infrastructure depends in part on the direct connection of our global network to a large number of end-user access networks, known as peering, which we achieve through mutually beneficial cooperation with these networks. In some instances, network operators charge us for the peering connections. If, in the future, a significant percentage of these network operators elected to no longer peer with our network or peer with our network on less favorable economic terms, then the performance of our infrastructure could be diminished, our costs could increase and our business could suffer.

If our ability to deliver media files in popular proprietary content formats was restricted or became cost-prohibitive, demand for our content delivery services could decline, we could lose customers and our financial results could suffer. Our business depends on our ability to deliver media content in all major formats. If our legal right or technical ability to store and deliver content in one or more popular proprietary content formats, such as Adobe Flash or Windows Media, was limited, our ability to serve our customers in these formats would be impaired and the demand for our content delivery and other Orchestrate Platform services would decline by customers using these formats. Owners of propriety content formats may be able to block, restrict or impose fees or other costs on our use of such formats, which could lead to additional expenses for us and for our customers, or which could prevent our delivery of this type of content altogether. Such interference could result in a loss of existing customers, increased costs and impairment of our ability to attract new customers, which would harm our revenue, operating results and growth.

As part of our business strategy, we may acquire businesses or technologies and may have difficulty integrating these operations.

We have completed a number of business acquisitions in recent years and may seek to acquire businesses or technologies that are complementary to our business in the future. Acquisitions are often complex and involve a number of risks to our business, including the difficulty of integrating the operations, services, solutions and personnel of the acquired companies, the potential disruption of our ongoing business, the potential distraction of management, the possibility that our business culture and the business culture of the acquired companies will not be compatible, the difficulty of incorporating or integrating acquired technology and rights with or into our other services and solutions, expenses related to the acquisition and to the integration of the acquired companies, the impairment of relationships with employees and customers as a result of any integration of new personnel, risks related to the businesses of acquired companies that may continue to impact the businesses following the merger and potential unknown liabilities associated with acquired companies. Any inability to integrate services, solutions, operations or personnel in an efficient and timely manner could harm our results of operations.

In order to realize the expected benefits and synergies of our acquisition of acquired businesses, we must meet a number of significant challenges, including:

- integrating the management teams, strategies, cultures, technologies and operations of the businesses;
- retaining and assimilating the key personnel of each company;
- retaining existing customers; and
- implementing and retaining uniform standards, controls, procedures, policies and information systems.

It is possible that the integration process could result in the loss of the technical skills and management expertise of key employees, the disruption of each company's ongoing businesses or inconsistencies in standards, controls, procedures and policies due to possible cultural conflicts or differences of opinions on technical decisions and services. A failure to integrate the acquired organizations successfully could adversely affect our ability to maintain relationships with customers, suppliers and employees or to achieve the anticipated benefits of an acquisition. Even if we are able to integrate acquired business operations successfully, these integrations may not result in the realization of the full benefits of synergies, cost savings, innovation and operational efficiencies that may be possible from these integrations, and these benefits may not be achieved within a reasonable period of time.

If we are not successful in completing acquisitions that we may pursue in the future, we may be required to reevaluate our business strategy, and we may incur substantial expenses and devote significant management time and resources without a productive result. In addition, future acquisitions will require the use of our available cash or dilutive issuances of securities. Future acquisitions or attempted acquisitions could also harm our ability to achieve profitability. We may also experience significant turnover from the acquired operations or from our current operations as we integrate businesses.

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If we are unable to retain our key employees and hire qualified sales and technical personnel, our ability to compete could be harmed.

Our future success depends upon the continued services of our executive officers and other key technology, sales, marketing and support personnel who have critical industry experience and relationships that they rely on in implementing our business plan. There is increasing competition for talented individuals with the specialized knowledge to deliver Orchestrate Platform services and this competition affects both our ability to retain key employees and hire new ones. Historically, we have experienced a significant amount of employee turnover, especially with respect to our sales personnel. As a result, a significant number of our sales personnel are relatively new and may need time to become fully productive. The loss of the services of any of our key employees could disrupt our operations, delay the development and introduction of our services, and negatively impact our ability to sell our services.

Our senior management team has limited experience working together as a group, and may not be able to manage our business effectively.

Five members of our senior management team, our President and Chief Executive Officer, Chief Financial Officer and Treasurer, Chief Marketing Officer, Chief Sales Officer, and our Senior Vice President Development and Delivery have been hired by us since June 2012. In addition, in late 2013, we eliminated the position of Chief Operating Officer and the responsibilities of this position were distributed among the current management team. As a result, our senior management team has limited experience working together as a group and will be required to perform additional responsibilities. This lack of shared experience and experience with these additional responsibilities could harm our senior management team's ability to quickly and efficiently respond to problems and effectively manage our business. We face risks associated with international operations that could harm our business.

We have operations in numerous foreign countries and may continue to expand our sales and support organizations internationally. As part of our growth strategy, we intend to expand our sales and support organizations internationally, as well as to further expand our international network infrastructure. Expansion could require us to make significant expenditures, including the hiring of local employees, in advance of generating any revenue. As a consequence, we may fail to achieve profitable operations that will compensate our investment in international locations. We are subject to a number of risks associated with international business activities that may increase our costs, lengthen our sales cycle and require significant management attention. These risks include:

- increased expenses associated with sales and marketing, deploying services and maintaining our infrastructure in foreign countries;
- competition from local content delivery service providers, many of which are very well positioned within their local markets;
- challenges caused by distance, language and cultural differences;
- unexpected changes in regulatory requirements preventing or limiting us from operating our global network or resulting in unanticipated costs and delays;
- interpretations of laws or regulations that would subject us to regulatory supervision or, in the alternative, require us to exit a country, which could have a negative impact on the quality of our services or our results of operations;
- longer accounts receivable payment cycles and difficulties in collecting accounts receivable;
- corporate and personal liability for violations of local laws and regulations;
- currency exchange rate fluctuations and repatriation of funds;
- potentially adverse tax consequences;
- credit risk and higher levels of payment fraud; and
- foreign exchange controls that might prevent us from repatriating cash earned in countries outside the United States.

International operations are subject to significant additional risks not generally faced in our domestic operations, including, but not limited to, risks relating to legal systems that may not adequately protect contract and intellectual property rights, policies and taxation, the physical infrastructure of the country, as well as risks relating to potential political turmoil and currency exchange controls. There can be no assurance that these international risks will not materially adversely affect our business. For example, our operations include software development and quality

assurance activities in the Ukraine, which is currently experiencing a period of social unrest. Should there be significant productivity losses, or if we become unable to conduct operations in Ukraine in the future, and our contingency plans are unsuccessful in addressing the related risks, our business could be adversely affected.

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We are subject to the effects of fluctuations in foreign exchange rates, which could affect our operating results. The financial condition and results of operations of our operating foreign subsidiaries are reported in the relevant local currency and are then translated into U.S. dollars at the applicable currency exchange rate for inclusion in our consolidated U.S. dollar financial statements. Also, although a large portion of our customer agreements are denominated in U.S. dollars, we may be exposed to fluctuations in foreign exchange rates with respect to customer agreements with certain of our international customers. Exchange rates between these currencies and U.S. dollars in recent years have fluctuated significantly and may do so in the future. In addition to currency translation risk, we incur currency transaction risk whenever one of our operating subsidiaries enters into a transaction using a different currency than the relevant local currency. Given the volatility of exchange rates, we may be unable to manage our currency transaction risks effectively. Currency fluctuations could have a material adverse effect on our future international sales and, consequently, on our financial condition and results of operations.

Internet-related and other laws relating to taxation issues, privacy, data security and consumer protection and liability for content distributed over our network, could harm our business.

Laws and regulations that apply to communications and commerce conducted over the Internet are becoming more prevalent, both in the United States and internationally, and may impose additional burdens on companies conducting business online or providing Internet-related services such as ours. Increased regulation could negatively affect our business directly, as well as the businesses of our customers, which could reduce their demand for our services. For example, tax authorities abroad may impose taxes on the Internet-related revenue we generate based on where our internationally deployed servers are located. In addition, domestic and international taxation laws are subject to change. Our services, or the businesses of our customers, may become subject to increased taxation, which could harm our financial results either directly or by forcing our customers to scale back their operations and use of our services in order to maintain their operations. In addition, the laws relating to the liability of private network operators for information carried on, processed by or disseminated through their networks are unsettled, both in the United States and abroad. Network operators have been sued in the past, sometimes successfully, based on the content of material disseminated through their networks. We may become subject to legal claims such as defamation, invasion of privacy and copyright infringement in connection with content stored on or distributed through our network. In addition, our reputation could suffer as a result of our perceived association with the type of content that some of our customers deliver. If we need to take costly measures to reduce our exposure to these risks, or are required to defend ourselves against such claims, our financial results could be negatively affected.

Several other federal laws also could expose us to liability and impose significant additional costs on us. For example, the Digital Millennium Copyright Act has provisions that limit, but do not eliminate, our liability for the delivery of customer content that infringe copyrights or other rights, so long as we comply with certain statutory requirements. In addition, the Children's Online Privacy Protection Act restricts the ability of online services to collect information from minors and the Protection of Children from Sexual Predators Act of 1998 requires online service providers to report evidence of violations of federal child pornography laws under certain circumstances. Also, there are emerging regulation and industry standards regarding the collection and use of personal information and protecting the security of data on networks. Compliance with these laws, regulations and standards is complex and any failure on our part to comply with these regulations may subject us to additional liabilities.

Privacy concerns could lead to legislative and other limitations on our ability to use "cookies" and video player "cookies" that are crucial to our ability to provide services to our customers.

Our ability to compile data for customers depends on the use of "cookies" and video player "cookies" to identify certain online behavior that allows our customers to measure a website or video's effectiveness. A cookie is a small file of information stored on a user's computer that allows us to recognize that user's browser or video player when the user makes a request for a web page or to play a video. Government authorities inside the United States concerned with the privacy of Internet users have suggested limiting or eliminating the use of cookies. Bills aimed at regulating the collection and use of personal data from Internet users are currently pending in United States Congress and many state legislatures. Attempts at such regulation may be drafted in such a way as to limit or prohibit the use of technology like cookies, thereby creating restrictions that could reduce our ability to use them. In addition, the Federal Trade Commission and the Department of Commerce have conducted hearings regarding user profiling, the collection of

non-personally identifiable information and online privacy.

Our foreign operations may also be adversely affected by regulatory action outside the United States. For example, the European Union has adopted a directive addressing data privacy that limits the collection, disclosure and use of information regarding European Internet users. In addition, the European Union has enacted an electronic communications directive that imposes certain restrictions on the use of cookies and also places restrictions on the sending of unsolicited communications. Each European Union member country was required to enact legislation to comply with the provisions of the electronic

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communications directive by October 31, 2003 (though not all have done so). Germany has also enacted additional laws limiting the use of user profiling, and other countries, both in and out of the European Union, may impose similar limitations.

Internet users may directly limit or eliminate the placement of cookies on their computers by using third-party software that blocks cookies, or by disabling or restricting the cookie functions of their Internet browser software and in their video player software. Internet browser software upgrades also may result in limitations on the use of cookies. Technologies like the Platform for Privacy Preferences Project may limit collection of cookies. Plaintiffs' attorneys also have organized class action suits against companies related to the use of cookies and several companies, including companies in the Internet advertising industry, have had claims brought against them before the Federal Trade Commission regarding the collection and use of Internet user information. We may be subject to such suits in the future, which could limit or eliminate our ability to collect such information. If our ability to use cookies were substantially restricted due to the foregoing, or for any other reason, we would have to generate and use other technology or methods that allow the gathering of user data in order to provide services to customers. This change in technology or methods could require significant reengineering time and resources, and may not be complete in time to avoid negative consequences to our business. In addition, alternative technology or methods might not be available on commercially reasonable terms, if at all. If the use of cookies is prohibited and we are not able to efficiently and cost effectively create new technology, our business, financial condition and results of operations would be materially adversely affected. In addition, any compromise of security that results in the release of Internet users' and/or our customers' data could seriously limit the adoption of our service offerings as well as harm our reputation and brand, expose us to liability and subject us to reporting obligations under various state laws, which could have an adverse effect on our business. The risk that these types of events could seriously harm our business is likely to increase as the amount of data stored for customers on our servers and the number of countries where we operate has been increasing, and we may need to expend significant resources to protect against security breaches, which could have an adverse effect on our business, financial condition or results of operations.

If we are required to seek funding, such funding may not be available on acceptable terms or at all.

We may need to obtain funding due to a number of factors, including a shortfall in revenue, increased expenses, final adverse judgments in litigation matters, increased investment in capital equipment or the acquisition of significant businesses or technologies. We believe that our cash, cash equivalents and marketable securities classified as current plus cash from operations will be sufficient to fund our operations and proposed capital expenditures for at least the next 12 months. However, we may need or desire funding before such time. If we do need to obtain funding, it may not be available on commercially reasonable terms or at all. If we are unable to obtain sufficient funding, our business would be harmed. Even if we were able to find outside funding sources, we might be required to issue securities in a transaction that could be highly dilutive to our investors or we may be required to issue securities with greater rights than the securities we have outstanding today. We might also be required to take other actions that could lessen the value of our common stock, including borrowing money on terms that are not favorable to us. If we are unable to generate or raise capital that is sufficient to fund our operations, we may be required to curtail operations, reduce our capabilities or cease operations in certain jurisdictions or completely.

Our business requires the continued development of effective business support systems to support our customer growth and related services.

The growth of our business depends on our ability to continue to develop effective business support systems. This is a complicated undertaking requiring significant resources and expertise. Business support systems are needed for:

- implementing customer orders for services;
- delivering these services; and
- timely and accurate billing for these services.

Because our business plan provides for continued growth in the number of customers that we serve and services offered, there is a need to continue to develop our business support systems on a schedule sufficient to meet proposed service rollout dates. The failure to continue to develop effective business support systems could harm our ability to implement our business plans and meet our financial goals and objectives.

Divestiture of our businesses or product lines, including those that we have acquired or will acquire, may materially adversely affect our financial condition, results of operations or cash flows, or may result in impairment charges that may adversely affect our results of operations.

Divestitures involve risks, including difficulties in the separation of operations, services, products and personnel, the diversion of management's attention from other business concerns, the disruption of our business, the potential loss of key employees and the retention of uncertain contingent liabilities related to the divested business, any of which could result in a

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material adverse effect to our financial condition, results of operations or cash flows. Divestitures of previously acquired businesses may result in significant asset impairment charges, including those related to goodwill and other intangible assets, which could have a material adverse effect on our financial condition and results of operations. Future impairment may result from, among other things, deterioration in the performance of the acquired business or product line, adverse market conditions and changes in the competitive landscape, adverse changes in applicable laws or regulations, including changes that restrict the activities of the acquired business or product line, changes in accounting rules and regulations, and a variety of other circumstances. The amount of any impairment is recorded as a charge to the statement of operations. We may never realize the full value of our goodwill and intangible assets, and any determination requiring the write-off of a significant portion of these assets may have an adverse effect on our financial condition and results of operations. We cannot assure you that we will be successful in managing these or any other significant risks that we encounter in divesting a business or product line.

Failure to effectively enhance our sales and marketing capabilities could harm our ability to increase our customer base and achieve broader market acceptance of our services.

Increasing our customer base and achieving broader market acceptance of our services will depend to a significant extent on our ability to enhance our sales and marketing operations. We have a concentration of our sales force at our headquarters in Tempe, Arizona but we also have a widely deployed field sales force. We are realigning our sales resources to improve our sales productivity and efficiency and to bring our sales personnel closer to our current and potential customers. Realigning our sales force has been and will continue to be expensive and could cause some near-term productivity impairments. As a result, we may not be successful in improving the productivity and efficiency of our sales force, which could cause our results of operations to suffer.

We believe that there is significant competition for both inside and direct sales personnel with the sales skills and technical knowledge that we require. Our ability to achieve significant growth in revenue in the future will depend, in large part, on our success in recruiting, training and retaining sufficient numbers of inside and direct sales personnel. New hires require significant training and, in most cases, take a significant period of time before they achieve full productivity. Our recent hires and planned hires may not become as productive as we would like, and we may be unable to hire or retain sufficient numbers of qualified individuals in the future in the markets where we do business. Our business will be seriously harmed if our sales force productivity efforts do not generate a corresponding significant increase in revenue.

We have incurred, and will continue to incur significantly increased costs as a result of operating as a public company, and our management is required to devote substantial time to compliance initiatives.

As a public company, we have incurred, and will continue to incur, significant accounting and other expenses that we did not incur as a private company. These expenses include increased accounting, legal and other professional fees, insurance premiums, investor relations costs, and costs associated with compensating our independent directors. In addition, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and the Sarbanes-Oxley Act of 2002, as well as rules subsequently implemented by the SEC and the Nasdaq Global Select Market, impose additional requirements on public companies, including requiring changes in corporate governance practices. For example, the listing requirements of the Nasdaq Global Select Market require that we satisfy certain corporate governance requirements relating to independent directors, audit committees, distribution of annual and interim reports, stockholder meetings, stockholder approvals, solicitation of proxies, conflicts of interest, stockholder voting rights and codes of conduct. Our management and other personnel need to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations have increased our legal and financial compliance costs and make some activities more time-consuming and costly. For example, these rules and regulations make it more difficult and more expensive for us to obtain director and officer liability insurance. These rules and regulations could also make it more difficult for us to identify and retain qualified persons to serve on our board of directors, our board committees or as executive officers.

If the accounting estimates we make, and the assumptions on which we rely, in preparing our financial statements prove inaccurate, our actual results may be adversely affected.

Our financial statements have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments about,

among other things, taxes, revenue recognition, share-based compensation costs, contingent obligations and doubtful accounts. These estimates and judgments affect the reported amounts of our assets, liabilities, revenue and expenses, the amounts of charges accrued by us, and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances and at the time they are made. If our estimates or the assumptions underlying them are not correct, we may need to accrue additional charges or reduce the value of assets that could adversely affect our results of operations, investors may lose confidence in our ability to manage our business and our stock price could decline.

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If we fail to maintain proper and effective internal controls or fail to implement our controls and procedures with respect to acquired or merged operations, our ability to produce accurate financial statements could be impaired, which could adversely affect our operating results, our ability to operate our business and investors' views of us. We must ensure that we have adequate internal financial and accounting controls and procedures in place so that we can produce accurate financial statements on a timely basis. We are required to spend considerable effort on establishing and maintaining our internal controls, which is costly and time-consuming and needs to be re-evaluated frequently.

We have operated as a public company since June 2007, and we will continue to incur significant legal, accounting and other expenses as we comply with the Sarbanes-Oxley Act of 2002, as well as new rules implemented from time to time by the SEC and the Nasdaq Global Select Market. These rules impose various requirements on public companies, including requiring changes in corporate governance practices, increased reporting of compensation arrangements and other requirements. Our management and other personnel will continue to devote a substantial amount of time to these compliance initiatives. Moreover, new rules and regulations will likely increase our legal and financial compliance costs and make some activities more time-consuming and costly. These rules and regulations could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as executive officers.

Section 404 of the Sarbanes-Oxley Act of 2002 requires that we include in our annual report our assessment of the effectiveness of our internal control over financial reporting and our audited financial statements as of the end of each fiscal year. Furthermore, our independent registered public accounting firm, Ernst & Young LLP (EY), is required to report on whether it believes we maintained, in all material respects, effective internal control over financial reporting as of the end of the year. Our continued compliance with Section 404 will require that we incur substantial expense and expend significant management time on compliance related issues, including our efforts in implementing controls and procedures related to acquired or merged operations. We currently do not have an internal audit group and use an international accounting firm to assist us with our assessment of the effectiveness of our internal controls over financial reporting. In future years, if we fail to timely complete this assessment, or if EY cannot timely attest, there may be a loss of public confidence in our internal controls, the market price of our stock could decline, and we could be subject to regulatory sanctions or investigations by the Nasdaq Global Select Market, the SEC or other regulatory authorities, which would require additional financial and management resources. In addition, any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to timely meet our regulatory reporting obligations.

Changes in financial accounting standards or practices may cause adverse, unexpected financial reporting fluctuations and affect our reported results of operations.

A change in accounting standards or practices can have a significant effect on our operating results and may affect our reporting of transactions completed before the change is effective. New accounting pronouncements and varying interpretations of existing accounting pronouncements have occurred and may occur in the future. Changes to existing rules or the questioning of current practices may adversely affect our reported financial results or the way we conduct our business.

Risks Related to Ownership of Our Common Stock

The trading price of our common stock has been, and is likely to continue to be, volatile.

The trading prices of our common stock and the securities of technology companies generally have been highly volatile. Factors affecting the trading price of our common stock will include:

- variations in our operating results;
- announcements of technological innovations, new services or service enhancements, strategic alliances or significant agreements by us or by our competitors;
- commencement or resolution of, our involvement in and uncertainties arising from, litigation, particularly our current litigation with Akamai and MIT;
- recruitment or departure of key personnel;
- changes in the estimates of our operating results or changes in recommendations by any securities analysts that elect to follow our common stock;

developments or disputes concerning our intellectual property or other proprietary rights;
the gain or loss of significant customers;
market conditions in our industry, the industries of our customers and the economy as a whole; and

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adoption or modification of regulations, policies, procedures or programs applicable to our business.

In addition, if the market for technology stocks or the stock market in general experiences loss of investor confidence, the trading price of our common stock could decline for reasons unrelated to our business, operating results or financial condition. The trading price of our common stock might also decline in reaction to events or speculation of events that affect other companies in our industry even if these events do not directly affect us.

If securities or industry analysts do not publish research or reports about our business or if they issue an adverse or misleading opinion or report, our stock, our stock price and trading volume could decline.

The trading market for our common stock will be influenced by the research and reports that industry or securities analysts publish about us or our business. If any of the analysts who cover us issue an adverse or misleading opinion regarding our stock, our stock price would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

Insiders have substantial control over us and will be able to influence corporate matters.

As of December 31, 2013, our directors and executive officers and their affiliates beneficially owned, in the aggregate, approximately 41% of our outstanding common stock, including approximately 31% beneficially owned by investment entities affiliated with Goldman, Sachs & Co. These stockholders are able to exercise significant influence over all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, such as a merger or other sale of our company or its assets. This concentration of ownership could limit other stockholders' ability to influence corporate matters and may have the effect of delaying or preventing a third party from acquiring control over us.

Future equity issuances or a sale of a substantial number of shares of our common stock may cause the price of our common stock to decline.

Because we may need to raise additional capital in the future to continue to expand our business and our research and development activities, among other things, we may conduct additional equity offerings. If we or our stockholders sell substantial amounts of our common stock (including shares issued upon the exercise of options and warrants) in the public market, the market price of our common stock could fall. A decline in the market price of our common stock could make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate.

Anti-takeover provisions in our charter documents and Delaware law could discourage, delay or prevent a change in control of our company and may affect the trading price of our common stock.

Provisions of our amended and restated certificate of incorporation and bylaws, as well as provisions of Delaware law, could make it more difficult for a third party to acquire us, even if doing so would benefit our stockholders. These provisions:

- establish that members of the board of directors may be removed only for cause upon the affirmative vote of stockholders owning a majority of our capital stock;
 - authorize the issuance of "blank check" preferred stock that could be issued by our board of directors to increase the number of outstanding shares and thwart a takeover attempt;
 - limit who may call special meetings of stockholders;
 - prohibit stockholder action by written consent, thereby requiring stockholder actions to be taken at a meeting of the stockholders;
 - establish advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted upon at stockholder meetings;
 - provide for a board of directors with staggered terms; and
 - provide that the authorized number of directors may be changed only by a resolution of our board of directors.
- In addition, Section 203 of the Delaware General Corporation Law, which imposes certain restrictions relating to transactions with major stockholders, may discourage, delay or prevent a third party from acquiring us.

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Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our global corporate headquarters is located in approximately 64,000 square feet of leased office space in Tempe, Arizona. We also lease space for a data center and warehouse in Phoenix, Arizona. We lease offices in several other locations in the United States, including in or near Los Angeles and San Francisco, California; Boston, Massachusetts; New York, New York; Grand Rapids, Michigan; Seattle, Washington and Washington DC. We also lease offices in Europe and Asia in or near Munich, Germany; London, England; Paris, France; Tel Aviv, Israel; Lviv, Ukraine; Tokyo, Japan; Bangalore, Delhi and Mumbai, India; Seoul, Korea; and Singapore. We believe our facilities are sufficient to meet our needs for the foreseeable future and, if needed, additional space will be available at a reasonable cost.

Item 3. Legal Proceedings

We are involved in litigation with Akamai and the Massachusetts Institute of Technology (MIT) relating to a claim of patent infringement. The action was filed in June 2006 in the United States District Court for the District of Massachusetts. The trial date was set for February 2008 with respect to four claims relating to United States Patent No. 6,108,703 (the '703 patent). Before trial, Akamai waived by stipulation its claims of indirect or induced infringement and proceeded to trial only on the theory of direct infringement. In February 2008, a jury returned a verdict in this lawsuit, finding that we infringed four claims of the '703 patent at issue and rejecting our invalidity defenses. The jury awarded an aggregate of approximately \$45,500 which includes lost profits, reasonable royalties and price erosion damages for the period April 2005 through December 31, 2007. In addition, the jury awarded pre-judgment interest which we estimated to be \$2,600 at December 31, 2007. We recorded the aggregate \$48,100 as a provision for litigation as of December 31, 2007. During 2008, we recorded an additional provision of approximately \$17,500 for potential additional infringement damages and interest. On July 1, 2008, the court denied our motions for JMOL, Obviousness, and a New Trial. The court also denied Akamai's Motion for Permanent Injunction as premature and denied its Motions for Summary Judgment regarding our equitable defenses. The court conducted a bench trial in November 2008 regarding our equitable defenses. We also filed a motion for reconsideration of the court's earlier denial of our motion for JMOL. Our motion for reconsideration of JMOL was based largely upon a clarification in the standard for a finding of joint infringement articulated by the Federal Circuit in the case of *Muniauction, Inc. v. Thomson Corp.*, released after the court denied our initial motion for JMOL. On April 24, 2009, the court issued its order and memorandum setting aside the adverse jury verdict and ruling that we did not infringe Akamai's '703 patent and that we were entitled to JMOL. Based upon the court's April 24, 2009 order, we reversed the \$65,600 provision for litigation previously recorded for this lawsuit as we no longer believed that payment of any amounts represented by the litigation provision was probable. The court entered final judgment in our favor on May 22, 2009, and Akamai filed a notice of appeal of the court's decision on May 26, 2009. On December 20, 2010, the Court of Appeals for the Federal Circuit issued its opinion affirming the trial court's entry of judgment in our favor. On February 18, 2011, Akamai filed a motion with the Court of Appeals for the Federal Circuit seeking a rehearing and rehearing en banc. On April 21, 2011, the Court of Appeals for the Federal Circuit issued an order denying the petition for rehearing, granting the petition for rehearing en banc, vacating the December 20, 2010 opinion affirming the trial court's entry of judgment in our favor, and reinstated the appeal.

On August 31, 2012, the Court of Appeals for the Federal Circuit issued its opinion in the case. The Court of Appeals stated that the trial court correctly determined we did not directly infringe Akamai's '703 patent and upheld the trial court's decision to vacate the original jury's damages award. The Court of Appeals also held that we did not infringe Akamai's '413 or '645 patents. A slim majority in this three-way divided opinion also announced a revised legal theory of induced infringement, remanded the case to the trial court, and gave Akamai an opportunity for a new trial to attempt to prove that we induced our customers to infringe Akamai's patent under the Court of Appeals' new legal standard. On December 28, 2012, we filed a petition for writ of certiorari to the United States Supreme Court to appeal this sharply divided Court of Appeals decision and will seek to stay any proceedings at the trial court until the Supreme Court rules on that petition. Akamai then filed a cross petition for consideration of the Court of Appeals standard for direct infringement followed by an opposition to our petition. On January 10, 2014, the Supreme Court

granted our petition for writ of certiorari and will hear our case on April 30, 2014. We believe that the Court of Appeals new induced infringement standard runs counter to the Patent Act and Supreme Court precedent, and it should be overturned by the Supreme Court. Additionally, just as we have successfully shown that we do not directly infringe Akamai's patent, we firmly believe that we will ultimately be successful in showing that we do not infringe Akamai's patent under the Court of Appeals majority's new induced infringement theory, and do not believe a loss is probable. We will continue to vigorously defend against the allegation; however, we cannot provide any assurance that the lawsuit ultimately will be resolved in our favor. An adverse ruling could seriously impact our ability to conduct significant portions of our business and to offer certain of our products and services to our customers. A permanent injunction could prevent us from operating our content delivery services or from delivering certain types of traffic, which could impact the viability of those

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portions of our business. Any adverse ruling, in turn, would harm our revenue, market share, reputation, liquidity and overall financial position. In light of the status of the litigation, we believe that there is a reasonable possibility that we have incurred a loss related to the Akamai litigation. While we believe that there is a reasonable possibility that a loss has been incurred, we are not able to estimate a range of the loss due to the complexity and procedural status of the case and do not believe a loss is probable therefore, no provision for this lawsuit is recorded in our consolidated financial statements.

In the ordinary course of our business, we are also involved in a limited number of other legal actions, both as plaintiff and defendant, and could incur uninsured liability in any one or more of them. With respect to pending legal actions to which we are a party, although the outcomes of these actions are not generally determinable, we believe that the ultimate resolution of these matters will not have a material adverse effect on our financial position, cash flows or results of operations. Litigation relating to the content delivery services industry is not uncommon, and we are, and from time to time have been, subject to such litigation. No assurances can be given with respect to the extent or outcome of any such litigation in the future.

Item 4. Mine Safety Disclosures.

Not applicable.

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock, par value \$0.001 per share, trades on The Nasdaq Global Select Market under the symbol "LLNW". The following table sets forth, for the periods indicated, the high and low sale price per share of our common stock on The Nasdaq Global Select Market:

| | High | Low |
|----------------|--------|--------|
| 2012: | | |
| First Quarter | \$4.33 | \$2.91 |
| Second Quarter | \$3.35 | \$2.30 |
| Third Quarter | \$3.17 | \$2.22 |
| Fourth Quarter | \$2.42 | \$1.62 |
| 2013: | | |
| First Quarter | \$2.52 | \$2.03 |
| Second Quarter | \$2.50 | \$1.80 |
| Third Quarter | \$2.56 | \$1.89 |
| Fourth Quarter | \$2.08 | \$1.82 |

Holders

As of February 3, 2014, there were 339 holders of record of our common stock.

Dividends

We have never paid or declared any cash dividends on shares of our common stock or other securities and do not anticipate paying any cash dividends in the foreseeable future. We currently intend to retain all future earnings, if any, for use in the operation of our business.

STOCK PERFORMANCE GRAPH

The graph set forth below compares the cumulative total stockholder return on our common stock between December 31, 2008 and December 31, 2013, with the cumulative total return of (i) the Nasdaq Composite Index and (ii) the S&P Information Technology Sector Index, over the same period. This graph assumes the investment of \$100 on December 31, 2008 in our common stock, the Nasdaq Composite Index and the S&P Information Technology Sector Index, and assumes the reinvestment of dividends, if any. The comparisons shown in the graph below are based upon historical data. We caution that the stock price performance shown in the graph below is not necessarily indicative of, nor is it intended to forecast, the potential future performance of our common stock.

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This graph assumes an investment on December 31, 2008 of \$100 in our common stock (based on the closing sale price of our common stock), and in each of such indices (including the reinvestment of all dividends). Measurement points are to the last trading day for each respective period. The performance shown is not necessarily indicative of future performance.

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Item 6. Selected Financial Data

The following selected consolidated financial data should be read in conjunction with our Consolidated Financial Statements and related notes and with “Management Discussion and Analysis of Financial Condition and Results of Operations” and other financial data included elsewhere in this annual report on Form 10-K. In January 2010 and April 2010, we acquired chors GmbH (chors) and EyeWonder, LLC (EyeWonder), respectively. On September 1, 2011, we completed the sale of EyeWonder and chors video and rich media advertising services to DG FastChannel, Inc. (currently Digital Generation, Inc. or DG). Accordingly, the results related to the sale of EyeWonder and chors for the year ended December 31, 2011 and prior periods have been reclassified to discontinued operations and have not been included in our selected financial data and management’s discussion and analysis of financial condition and results of operations. On December 23, 2013, we sold our Web Content Management business resulting in a gain on sale of \$3,836 which is included in Other, net, for the year ended December 31, 2013. This sale was not treated as a discontinued operation because the operations and cash flows of our Web Content Management business cannot be clearly distinguished, operationally or for financial reporting purposes, from the rest of the Company. In addition, for the year ended December 31, 2013, we revised our statement of operations to reclassify certain amounts to cost of revenues, research and development and sales and marketing expenses that were previously reported in general and administrative expenses. See Footnote (3) below for a summary of the reclassifications by line item within the statement of operations. All information is presented in thousands, except per share amounts, customer count and where specifically noted.

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| | Limelight Networks, Inc. Year Ended December 31, | | | | |
|---|---|------------|------------|------------|-----------|
| | 2013 | 2012 | 2011 | 2010 | 2009 |
| Revenues | \$173,433 | \$180,236 | \$171,292 | \$154,223 | \$131,663 |
| Cost of revenue: | | | | | |
| Cost of services (1) (3) | 88,783 | 85,226 | 82,976 | 73,630 | 62,647 |
| Depreciation — network | 22,942 | 27,992 | 28,030 | 22,224 | 24,051 |
| Total cost of revenue (3) | 111,725 | 113,218 | 111,006 | 95,854 | 86,698 |
| Gross profit | 61,708 | 67,018 | 60,286 | 58,369 | 44,965 |
| Operating expenses: | | | | | |
| General and administrative (1) (3) | 31,904 | 34,500 | 30,672 | 28,358 | 32,860 |
| Sales and marketing (1) (3) | 41,474 | 45,044 | 40,110 | 38,757 | 32,719 |
| Research and development (1) (3) | 22,003 | 20,182 | 17,163 | 10,895 | 7,998 |
| Depreciation and amortization | 5,804 | 5,843 | 4,787 | 2,460 | 2,351 |
| Provision for litigation (2) | — | — | — | — | (65,645) |
| Total operating expenses (3) | 101,185 | 105,569 | 92,732 | 80,470 | 10,283 |
| Operating (loss) income | (39,477) | (38,551) | (32,446) | (22,101) | 34,682 |
| Other income (expense): | | | | | |
| Interest expense | (76) | (177) | (299) | (62) | (39) |
| Interest income | 321 | 356 | 752 | 910 | 1,345 |
| Gain on sale of cost basis investment | — | 9,420 | — | — | — |
| Other, net | 4,643 | (602) | (311) | (250) | (14) |
| Total other income | 4,888 | 8,997 | 142 | 598 | 1,292 |
| (Loss) income from continuing operations before income taxes | (34,589) | (29,554) | (32,304) | (21,503) | 35,974 |
| Income tax expense (benefit) | 387 | 481 | (2,238) | 727 | 1,084 |
| (Loss) income from continuing operations | (34,976) | (30,035) | (30,066) | (22,230) | 34,890 |
| Discontinued operations: | | | | | |
| (Loss) income from discontinued operations, net of income taxes | (426) | (2,861) | 4,778 | 1,879 | — |
| Net (loss) income | \$(35,402) | \$(32,896) | \$(25,288) | \$(20,351) | \$34,890 |
| Basic net (loss) income per weighted average share: | | | | | |
| Continuing operations | \$(0.36) | \$(0.30) | \$(0.28) | \$(0.24) | \$0.41 |
| Discontinued operations | (0.01) | (0.02) | 0.05 | 0.02 | — |
| Total | \$(0.37) | \$(0.32) | \$(0.23) | \$(0.22) | \$0.41 |
| Diluted net (loss) income per weighted average share: | | | | | |
| Continuing operations | \$(0.36) | \$(0.30) | \$(0.28) | \$(0.24) | \$0.40 |
| Discontinued operations | (0.01) | (0.02) | 0.05 | 0.02 | — |
| Total | \$(0.37) | \$(0.32) | \$(0.23) | \$(0.22) | \$0.40 |
| Shares used in per weighted average share calculations: | | | | | |
| Basic | 96,851 | 101,283 | 109,236 | 94,300 | 84,202 |
| Diluted | 96,851 | 101,283 | 109,236 | 94,300 | 87,972 |

(1) Includes share-based compensation as follows:

| | Limelight Networks, Inc. Year Ended December 31, | | | | |
|----------------------------|---|----------|----------|----------|----------|
| | 2013 | 2012 | 2011 | 2010 | 2009 |
| Cost of revenue | \$1,873 | \$2,117 | \$2,419 | \$2,359 | \$2,414 |
| General and administrative | 5,971 | 6,511 | 6,132 | 5,984 | 7,556 |
| Sales and marketing | 2,245 | 3,104 | 3,776 | 4,840 | 4,970 |
| Research and development | 2,256 | 2,743 | 3,554 | 2,999 | 2,523 |
| Total | \$12,345 | \$14,475 | \$15,881 | \$16,182 | \$17,463 |

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During 2013 we were party to a lawsuit alleging aspects of our content delivery network infringed upon third party (2) patent rights. More information about this case, Akamai Technologies, Inc. vs. Limelight Networks, Inc., is described in further detail under “Legal Proceedings” in Part 1, Item 3 of this annual report on Form 10-K.

For the year ended December 31, 2013, we revised our statement of operations to reclassify certain amounts to cost (3) of revenues, research and development and sales and marketing expenses that were previously reported in general and administrative expenses. This reclassification is more fully described in Note 2, Revision of Previously Issued Financial Statements, in Part II, Item 8 of this annual report on Form 10-K.

The following table summarizes the reclassification by line item within the statement of operations for the prior years ended December 31, 2012, 2011, 2010, and 2009.

| | For the Years Ended December 31, | | | |
|----------------------------|----------------------------------|-----------|----------|----------|
| | 2012 | 2011 | 2010 | 2009 |
| Cost of services | | | | |
| As reported | \$83,723 | \$81,556 | \$72,358 | \$61,572 |
| Reclassification | 1,503 | 1,420 | 1,272 | 1,075 |
| As revised | \$85,226 | \$82,976 | \$73,630 | \$62,647 |
| Total cost of revenue | | | | |
| As reported | \$111,715 | \$109,586 | \$94,582 | \$85,623 |
| Reclassification | 1,503 | 1,420 | 1,272 | 1,075 |
| As revised | \$113,218 | \$111,006 | \$95,854 | \$86,698 |
| Gross profit | | | | |
| As reported | \$68,521 | \$61,706 | \$59,641 | \$46,040 |
| Reclassifications | (1,503) | (1,420) | (1,272) | (1,075) |
| As revised | \$67,018 | \$60,286 | \$58,369 | \$44,965 |
| Operating expenses: | | | | |
| General and administrative | | | | |
| As reported | \$36,003 | \$32,138 | \$29,827 | \$34,128 |
| Reclassifications | (1,503) | (1,466) | (1,469) | (1,268) |
| As revised | \$34,500 | \$30,672 | \$28,358 | \$32,860 |
| Sales and marketing | | | | |
| As reported | \$45,044 | \$40,081 | \$38,614 | \$32,587 |
| Reclassifications | — | 29 | 143 | 132 |
| As revised | \$45,044 | \$40,110 | \$38,757 | \$32,719 |
| Research and development | | | | |
| As reported | \$20,182 | \$17,146 | \$10,841 | \$7,937 |
| Reclassifications | — | 17 | 54 | 61 |
| As revised | \$20,182 | \$17,163 | \$10,895 | \$7,998 |
| Total operating expenses | | | | |
| As reported | \$107,072 | \$94,152 | \$81,742 | \$11,358 |
| Reclassifications | (1,503) | (1,420) | (1,272) | (1,075) |
| As revised | \$105,569 | \$92,732 | \$80,470 | \$10,283 |

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| | Limelight Networks, Inc. Year Ended December 31, | | | | |
|--|---|-----------|-----------|----------|-----------|
| | 2013 | 2012 | 2011 | 2010 | 2009 |
| Consolidated Balance Sheet Data: | | | | | |
| Cash and cash equivalents and marketable securities, current | \$118,462 | \$127,955 | \$140,199 | \$66,870 | \$154,379 |
| Non-current marketable securities | 46 | 18 | 51 | 103 | 12 |
| Working capital | 123,265 | 137,066 | 159,180 | 127,280 | 159,530 |
| Property and equipment, net | 32,905 | 41,251 | 56,368 | 52,891 | 35,524 |
| Total assets | 268,298 | 304,881 | 346,345 | 298,640 | 235,670 |
| Long-term debt, less current portion | 358 | 824 | 2,124 | 1,641 | — |
| Total stockholders' equity | 237,331 | 267,230 | 309,105 | 256,109 | 202,800 |

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Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

This annual report on Form 10-K contains “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements include, among other things, statements as to industry trends, our future expectations, operations, financial condition and prospects, business strategies and other matters that do not relate strictly to historical facts. These statements are often identified by the use of words such as “may,” “will,” “expect,” “believe,” “anticipate,” “intend,” “could,” “estimate,” or “continue,” and similar expressions or variations. Forward-looking statements are based on the beliefs and assumptions of our management based on information currently available to management. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the section titled “Risk Factors” set forth in Part I, Item 1A of this annual report on Form 10-K. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. We undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements. Prior period information has been modified to conform to current year presentation. All information is presented in thousands, except per share amounts, customer count and where specifically noted.

Overview

We were founded in 2001 as a provider of content delivery network services to deliver digital content over the Internet. We began development of our infrastructure in 2001 and began generating meaningful revenue in 2002. Today, we operate a globally distributed, high-performance, computing platform (our global network) and provide a suite of integrated services including content delivery services, video content management services, performance services for website and web application acceleration, and cloud storage services. These four primary service groups work collectively to enable organizations to deliver digital content to any device, anywhere in the world.

The suite of services that we offer collectively comprises our Limelight Orchestrate Platform (the Orchestrate Platform). Recently, we launched a revised website that brought further focus to what we offer to the market by aligning products to four core solutions-Video Delivery, Web Delivery, Mobile Delivery, and Software Delivery-that better reflect the core functionality and strength of the Orchestrate Platform. Included in this version of the website launch was the renaming of the Orchestrate Digital Presence Platform to the Limelight Orchestrate Platform again bringing a tighter focus to what we believe is the core service Limelight brings to the market, the delivery of digital content from publishers to end-users.

As a result of our renewed focus, on December 23, 2013, we sold our Orchestrate Content Management service for \$12,341 in cash, net of preliminary working capital adjustments. The sale resulted in a gain of \$3,836, which is included in Other, net in the consolidated statement of operations. Consistent with our focus on digital content delivery services, the integration of our services and the disposal of our web content management service line, going forward we will no longer distinguish between value added services and non-value added services. As of December 31, 2013, we had 1,295 active customers worldwide.

The following table summarizes our revenue, costs and expenses for the years ended December 31, 2013, 2012, and 2011 (in thousands of dollars and as a percentage of total revenue). The information presented below has been revised to reclassify certain amounts to cost of revenues, research and development and sales and marketing expenses that were previously reported in general and administrative expenses. This reclassification is more fully described in Note 2, Revision of Previously Issued Financial Statements, in Part II, Item 8 of this annual report on Form 10-K.

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| | Year Ended December 31, | | | | | | | | |
|---|-------------------------|---------|---|-------------|---------|---|-------------|---------|---|
| | 2013 | | | 2012 | | | 2011 | | |
| Revenues | \$ 173,433 | 100.0 | % | \$ 180,236 | 100.0 | % | \$ 171,292 | 100.0 | % |
| Cost of revenue | 111,725 | 64.4 | % | 113,218 | 62.8 | % | 111,006 | 64.8 | % |
| Gross profit | 61,708 | 35.6 | % | 67,018 | 37.2 | % | 60,286 | 35.2 | % |
| Total operating expenses | 101,185 | 58.3 | % | 105,569 | 58.6 | % | 92,732 | 54.1 | % |
| Operating loss | (39,477) | (22.8) | % | (38,551) | (21.4) | % | (32,446) | (18.9) | % |
| Total other income | 4,888 | 2.8 | % | 8,997 | 5.0 | % | 142 | 0.1 | % |
| Loss from continuing operations before income taxes | (34,589) | (19.9) | % | (29,554) | (16.4) | % | (32,304) | (18.9) | % |
| Income tax expense (benefit) | 387 | 0.2 | % | 481 | 0.3 | % | (2,238) | (1.3) | % |
| Loss from continuing operations | (34,976) | (20.2) | % | (30,035) | (16.7) | % | (30,066) | (17.6) | % |
| Discontinued operations: | | | | | | | | | |
| (Loss) income from discontinued operations, net of income taxes | (426) | (0.2) | % | (2,861) | (1.6) | % | 4,778 | 2.8 | % |
| Net loss | \$(35,402) | (20.4) | % | \$(32,896) | (18.3) | % | \$(25,288) | (14.8) | % |

Use of Non-GAAP Financial Measures

To evaluate our business, we consider and use non-generally accepted accounting principles (Non-GAAP) net income (loss) and Adjusted EBITDA as a supplemental measure of operating performance. These measures include the same adjustments that management takes into account when it reviews and assesses operating performance on a period-to-period basis. We consider Non-GAAP net income (loss) to be an important indicator of overall business performance because it allows us to evaluate results without the effects of share-based compensation, litigation expenses, amortization of intangibles, acquisition related expenses, gain on sale of cost basis investment, discontinued operations and the gain on sale of our Web Content Management (WCM) business. We define EBITDA as U.S. GAAP net income (loss) before interest income, interest expense, gain on sale of cost basis investment, other income and expense, provision for income taxes, depreciation and amortization, discontinued operations and gain on sale of WCM. We believe that EBITDA provides a useful metric to investors to compare us with other companies within our industry and across industries. We define Adjusted EBITDA as EBITDA adjusted for share-based compensation, litigation expenses, and acquisition related expenses. We use Adjusted EBITDA as a supplemental measure to review and assess operating performance. We also believe use of Adjusted EBITDA facilitates investors' use of operating performance comparisons from period to period, as well as across companies. In addition, it should be noted that our performance-based executive officer bonus structure is tied closely to our performance as measured in part by certain Non-GAAP financial measures.

In our February 13, 2014 earnings press release, as furnished on Form 8-K, we included Non-GAAP net loss, EBITDA and Adjusted EBITDA. The terms Non-GAAP net loss, EBITDA and Adjusted EBITDA are not defined under U.S. GAAP, and are not measures of operating income, operating performance or liquidity presented in accordance with U.S. GAAP. Our Non-GAAP net loss, EBITDA and Adjusted EBITDA have limitations as analytical tools, and when assessing our operating performance, Non-GAAP net loss, EBITDA and Adjusted EBITDA should not be considered in isolation, or as a substitute for net loss or other consolidated income statement data prepared in accordance with U.S. GAAP. Some of these limitations include, but are not limited to:

- EBITDA and Adjusted EBITDA do not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, our working capital needs;
- they do not reflect the cash requirements necessary for litigation costs;
- they do not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, on our debt that we may incur;

they do not reflect income taxes or the cash requirements for any tax payments; although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will be replaced sometime in the future, and EBITDA and Adjusted EBITDA do not reflect any cash requirements for such replacements;

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while share-based compensation is a component of operating expense, the impact on our financial statements compared to other companies can vary significantly due to such factors as the assumed life of the options and the assumed volatility of our common stock; and other companies may calculate EBITDA and Adjusted EBITDA differently than we do, limiting their usefulness as comparative measures.

We compensate for these limitations by relying primarily on our U.S. GAAP results and using Non-GAAP net income (loss), EBITDA, and Adjusted EBITDA only as supplemental support for management's analysis of business performance. Non-GAAP net income (loss), EBITDA and Adjusted EBITDA are calculated as follows for the periods presented.

Reconciliation of Non-GAAP Financial Measures

In accordance with the requirements of Regulation G issued by the SEC, we are presenting the most directly comparable U.S. GAAP financial measures and reconciling the unaudited Non-GAAP financial metrics to the comparable U.S. GAAP measures.

**Reconciliation of U.S. GAAP Net Loss to Non-GAAP Net Loss
(Unaudited)**

| | Year Ended December 31, | | |
|--|-------------------------|-------------|-------------|
| | 2013 | 2012 | 2011 |
| U.S. GAAP net loss | \$(35,402) | \$(32,896) | \$(25,288) |
| Share-based compensation | 12,345 | 14,475 | 15,881 |
| Litigation defense expenses | 450 | 527 | 1,376 |
| Acquisition related expenses | 176 | (388) | 776 |
| Amortization of intangible assets | 2,843 | 2,871 | 2,350 |
| Gain on sale of cost basis investment | — | (9,420) | — |
| Gain on sale of the WCM business | (3,836) | — | — |
| Loss (income) from discontinued operations | 426 | 2,861 | (4,778) |
| Non-GAAP net loss | \$(22,998) | \$(21,970) | \$(9,683) |

**Reconciliation of U.S. GAAP Net Loss to EBITDA to Adjusted EBITDA
(Unaudited)**

| | Year Ended December 31, | | |
|--|-------------------------|-------------|-------------|
| | 2013 | 2012 | 2011 |
| U.S. GAAP net loss | \$(35,402) | \$(32,896) | \$(25,288) |
| Depreciation and amortization | 28,746 | 33,835 | 32,817 |
| Interest expense | 76 | 177 | 299 |
| Gain on sale of cost basis investment | — | (9,420) | — |
| Gain on sale of the WCM business | (3,836) | — | — |
| Interest and other (income) expense | (1,128) | 246 | (441) |
| Income tax expense (benefit) | 387 | 481 | (2,238) |
| Loss (income) from discontinued operations | 426 | 2,861 | (4,778) |
| EBITDA | \$(10,731) | \$(4,716) | \$371 |
| Share-based compensation | 12,345 | 14,475 | 15,881 |
| Litigation defense expenses | 450 | 527 | 1,376 |
| Acquisition related expenses | 176 | (388) | 776 |
| Adjusted EBITDA | \$2,240 | \$9,898 | \$18,404 |

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Critical Accounting Policies and Estimates

The preparation of consolidated financial statements and related disclosures in conformity with U.S. GAAP requires management to make judgments, assumptions, and estimates that affect the amounts reported in the consolidated financial statements and accompanying notes. Note 2 to the consolidated financial statements describes the significant accounting policies and methods used in the preparation of the consolidated financial statements. The accounting policies described below are significantly affected by critical accounting estimates. Such accounting policies require significant judgments, assumptions, and estimates used in the preparation of the consolidated financial statements, and actual results could differ materially from the amounts reported based on these policies.

Revenue Recognition

We derive revenue primarily from the sale of services that comprise components of the Orchestrate Platform. Our customers generally execute contracts with terms of one year or longer, which we refer to as recurring revenue contracts or long-term contracts. These contracts generally commit the customer to a minimum monthly level of usage with additional charges applicable for actual usage above the monthly minimum commitment. We define usage as customer data sent or received using our content delivery service, or content that is hosted or cached by us at the request or direction of our customer. We recognize the monthly minimum as revenue each month provided that an enforceable contract has been signed by both parties, the service has been delivered to the customer, the fee for the service is fixed or determinable, and collection is reasonably assured. Should a customer's usage of our services exceed the monthly minimum commit, we recognize revenue for such excess in the period of the usage. For annual or other non-monthly period revenue commitments, we recognize revenue monthly based upon the customer's actual usage each month of the commitment period and only recognize any remaining committed amount for the applicable period in the last month thereof.

We typically charge the customer an installation fee when the services are first activated. We do not charge installation fees for contract renewals. Installation fees are recorded as deferred revenue and recognized as revenue ratably over the estimated life of the customer arrangement. We also derive revenue from services and events sold as discrete, non-recurring events or based solely on usage. For these services, we recognize revenue after an enforceable contract has been signed by both parties, the fee is fixed or determinable, the event or usage has occurred, and collection is reasonably assured.

We have on occasion entered into multi-element arrangements. Revenue arrangements with multiple deliverables are divided into separate units of accounting if each deliverable has stand-alone value to the customer and there is objective and reliable evidence of the fair value of each deliverable. Arrangements not meeting these criteria are combined into a single unit of accounting.

For services sold in multiple-element arrangements, consideration is allocated to each deliverable at the inception of an arrangement based on relative selling prices. Substantially all services are sold on a stand-alone basis, providing vendor specific objective evidence (VSOE) of selling prices. In the absence of VSOE or third-party evidence of selling prices, consideration would be allocated based on management's best estimate of such prices.

We recognized approximately \$1,914, \$2,837, and \$4,309 in revenue under multi-element arrangements for the years ended December 31, 2013, 2012, and 2011, respectively. As of December 31, 2013, we had no deferred revenue related to multi-element arrangements.

At the inception of a customer contract for service, we make an assessment as to that customer's ability to pay for the services provided. If we subsequently determine that collection from the customer is not reasonably assured, we record an allowance for doubtful accounts and bad debt expense or deferred revenue for all of that customer's unpaid invoices and cease recognizing revenue for continued services provided until cash is received.

Deferred revenue represents amounts billed to customers for which revenue has not been recognized. Deferred revenue primarily consists of the unearned portion of monthly billed service fees, prepayments made by customers for future periods and deferred installation fees.

Accounts Receivable and Related Reserves

Trade accounts receivable are recorded at the invoiced amounts and do not bear interest. We record reserves as a reduction of our accounts receivable balance for service credits and for doubtful accounts. Estimates are used in determining both of these reserves. The allowance for doubtful accounts charges are included as a component of

general and administrative expenses.

Our allowance for doubtful accounts is based upon a calculation that uses our aging of accounts receivable and applies a reserve percentage to the specific age of the receivable to estimate the allowance for doubtful accounts. The reserve

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percentages are determined based on our historical write-off experience. These estimates could change significantly if our customers' financial condition changes or if the economy in general deteriorates.

Our reserve for service credits relates to service credits that are expected to be issued to customers during the ordinary course of business, as well as for billing disputes. These credits typically relate to customer disputes and billing adjustments and are estimated at the time the revenue is recognized and recorded as a reduction of revenues. Estimates for service credits are based on an analysis of credits issued in previous periods.

Goodwill and Other Intangible Assets

We have recorded goodwill and other intangible assets as a result of its business acquisitions. Goodwill is recorded when the purchase price paid for an acquisition exceeds the estimated fair value of the net identified tangible and intangible assets acquired. In each of our acquisitions, the objective of the acquisition was to expand our product offerings and customer base and to achieve synergies related to cross selling opportunities, all of which contributed to the recognition of goodwill.

We test goodwill for impairment on an annual basis or more frequently if events or changes in circumstances indicate that goodwill might be impaired. We concluded that we have one reporting unit and assigned the entire balance of goodwill to this reporting unit at December 31, 2013. The estimated fair value of the reporting unit is determined using the Company's market capitalization as of its annual impairment assessment date or more frequently if circumstances indicate the goodwill might be impaired. Items that could reasonably be expected to negatively affect key assumptions used in estimating fair value include but are not limited to:

- sustained decline in our stock price due to a decline in our financial performance due to the loss of key customers, loss of key personnel, emergence of new technologies or new competitors;
- decline in overall market or economic conditions leading to a decline in our stock price; and
- decline in observed control premiums paid in business combinations involving comparable companies.

The estimated fair value of the reporting unit is determined using a market approach. Our market capitalization is adjusted for a control premium based on the estimated average and median control premiums of transactions involving companies comparable to us. As of the annual impairment testing date and at December 31, 2013, we determined that goodwill was not impaired. We noted that the estimated fair value of our reporting unit exceeded carrying value by approximately \$24,800 or 11%, and \$33,100 or 14%, using the market capitalization plus an estimated control premium of 40% on October 31, 2013 and December 31, 2013, respectively. Adverse changes to certain key assumptions as described above could result in a future charge to earnings.

Our other intangible assets represent existing technologies, trade names and trademarks, and customer relationship intangibles. Other intangible assets are amortized over their respective estimated lives, ranging from less than one year to six years. In the event that facts and circumstances indicate intangibles or other long-lived assets may be impaired, we evaluate the recoverability and estimated useful lives of such assets. Amortization of other intangible assets is included in depreciation and amortization in the accompanying consolidated statements of operations.

Impairment and Useful Lives of Long-Lived Assets

We review our long-lived assets, such as fixed assets and amortizable intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Events that would trigger an impairment review include a change in the use of the asset or forecasted negative cash flows related to the asset. When such events occur, we compare the carrying amount of the asset to the undiscounted expected future cash flows related to the asset. If this comparison indicates that impairment is present, the amount of the impairment is calculated as the difference between the carrying amount and the fair value of the asset. If a readily determinable market price does not exist, fair value is estimated using discounted expected cash flows attributable to the asset. The estimates required to apply this accounting policy include forecasted usage of the long-lived assets, the useful lives of these assets, and expected future cash flows. Changes in these estimates could materially impact results from operations.

Contingencies

We record contingent liabilities resulting from asserted and unasserted claims when it is probable that a loss has been incurred and the amount of the loss is reasonably estimable. We disclose contingent liabilities when there is a reasonable possibility that the ultimate loss will exceed the recorded liability. Estimating probable losses requires

analysis of multiple factors, in some cases including judgments about the potential actions of third party claimants and courts. Therefore, actual losses in any future period are inherently uncertain.

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Deferred Taxes and Tax Reserves

Our provision for income taxes is comprised of a current and a deferred portion. The current income tax provision is calculated as the estimated taxes payable or refundable on tax returns for the current year. The deferred income tax provision is calculated for the estimated future tax effects attributable to temporary differences and carryforwards using expected tax rates in effect during the years in which the differences are expected to reverse or the carryforwards are expected to be realized.

We currently have net deferred tax assets consisting of net operating loss carryforwards, tax credit carryforwards and deductible temporary differences. Management periodically weighs the positive and negative evidence to determine if it is more likely than not that some or all of the deferred tax assets will be realized. Forming a conclusion that a valuation allowance is not required is difficult when there is negative evidence such as cumulative losses in recent years. As a result of our recent cumulative losses, we have recorded a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. In the event we were to determine that we would be able to realize our deferred income tax assets in the future in excess of their net recorded amount, we would make an adjustment to the valuation allowance which would reduce the provision for income taxes in the period of such realization.

We have recorded certain tax reserves to address potential exposures involving our income tax and sales and use tax positions. These potential tax liabilities result from the varying application of statutes, rules, regulations and interpretations by different taxing jurisdictions. The Company's estimate of the value of its tax reserves contains assumptions based on past experiences and judgments about the interpretation of statutes, rules and regulations by taxing jurisdictions. It is possible that the costs of the ultimate tax liability or benefit from these matters may be materially more or less than the amount that the Company estimated.

Uncertainty in income taxes is recognized in the Company's financial statements under guidance that prescribes a two-step process to determine the amount of tax benefit to be recognized. First, the tax position must be evaluated to determine the likelihood that it will be sustained upon external examination. If the tax position is deemed more-likely-than-not to be sustained, the tax position is then assessed to determine the amount of benefit to recognize in the financial statements. The amount of the benefit that may be recognized is the largest amount that has a greater than 50% likelihood of being realized upon ultimate settlement. Our unrecognized tax benefit from uncertain tax positions did not increase from January 1, 2013 to December 31, 2013. We anticipate that our unrecognized tax benefits may increase or decrease within twelve months of the reporting date, as audits or reviews are initiated or settled and as a result of settling potential tax liabilities in certain foreign jurisdictions. It is not currently reasonably possible to estimate the range of change. We recognize interest and penalties related to unrecognized tax benefits in our tax provision.

Our effective tax rate is influenced by the recognition of tax positions pursuant to the more likely than not standard that such positions will be sustained upon examination by the taxing authority. In addition, other factors such as changes in tax laws, rulings by taxing authorities and court decisions, and significant changes in our operations through acquisitions or divestitures can have a material impact on the effective tax rate. Differences between our estimated and actual effective income tax rates and related liabilities are recorded in the period they become known. We conduct business in various foreign countries. As a multinational corporation, we are subject to taxation in multiple locations, and the calculation of our foreign tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations in various taxing jurisdictions. If we ultimately determine that the payment of these liabilities will be unnecessary, we reverse the liability and recognize a tax benefit during the period in which we determine the liability no longer applies. Conversely, we record additional tax charges in a period in which we determine that a recorded tax liability is less than we expect the ultimate assessment to be.

The application of tax laws and regulations is subject to legal and factual interpretation, judgment and uncertainty. Tax laws and regulations themselves are subject to change as a result of changes in fiscal policy, changes in legislation, the evolution of regulations and court rulings. Therefore, the actual liability for United States or foreign taxes may be materially different from our estimates, which could result in the need to record additional tax liabilities or potentially reverse previously recorded tax liabilities.

Share-Based Compensation

We account for our share-based compensation awards using the fair-value method. The grant date fair value was determined using the Black-Scholes-Merton pricing model. The Black-Scholes-Merton valuation calculation requires us to make key assumptions such as future stock price volatility, expected terms, risk-free rates, and dividend yield. Our expected volatility is derived from our volatility rate as a publicly traded company and historical volatilities of similar public companies within the Internet services and network industry. Each company's historical volatility is weighted based on certain qualitative factors and combined to produce a single volatility factor used by us. For most of 2013 we did not have enough historical

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experience as a public company to provide a reasonable estimate of the expected term; therefore, expected term was calculated using the “short-cut” method, which takes into consideration the grant’s contractual life and the vesting periods. As of December 31, 2013, our expected term is based on our historical experience. The risk-free interest factor is based on the United States Treasury yield curve in effect at the time of the grant for zero coupon United States Treasury notes with maturities of approximately equal to each grant’s expected term.

We develop an estimate of the number of share-based awards that will be forfeited due to employee turnover. Annual changes in the estimated forfeiture rate may have a significant effect on share-based payments expense, as the effect of adjusting the rate is recognized in the period the forfeiture estimate is changed. If the actual forfeiture rate is higher than the estimated forfeiture rate, then an adjustment is made to increase the estimated forfeiture rate, which will result in a decrease to the expense recognized in the financial statements. If the actual forfeiture rate is lower than the estimated forfeiture rate, then an adjustment is made to decrease the estimated forfeiture rate, which will result in an increase to the expense recognized in the financial statements. We have never paid cash dividends and do not currently intend to pay cash dividends, and therefore, we have assumed a 0% dividend yield.

We will continue to use judgment in evaluating the expected term, volatility, and forfeiture rate related to our own share-based awards on a prospective basis, and in incorporating these factors into the model. If our actual experience differs significantly from the assumptions used to compute our share-based compensation cost, or if different assumptions had been used, we may have recorded too much or too little share-based compensation cost.

We apply the straight-line attribution method to recognize compensation costs associated with awards that are not subject to graded vesting. For awards that are subject to graded vesting and performance based awards, we recognize compensation costs separately for each vesting tranche. We also estimate when and if performance-based awards will be earned. If an award is not considered probable of being earned, no amount of stock-based compensation is recognized. If the award is deemed probable of being earned, related compensation expense is recorded over the estimated service period. To the extent our estimates of awards considered probable of being earned changes, the amount of stock-based compensation recognized will also change.

Results of Continuing Operations

Comparison of the Years Ended December 31, 2013 and 2012

Revenue

We derive revenue primarily from the sale of components of the Orchestrate Platform. We also generate revenue through the sale of professional services and other infrastructure services, such as transit and rack space services. The following table reflects our revenue (in thousands of dollars and as a percentage of total revenue):

| | Years Ended December 31, | | | | | |
|--------------------------|--------------------------|-------|------|------------|-------|---|
| | 2013 | | 2012 | | | |
| Content delivery network | \$ 111,303 | 64.2 | % | \$ 121,802 | 67.6 | % |
| Value added services | 62,130 | 35.8 | % | 58,434 | 32.4 | % |
| Total revenue | \$ 173,433 | 100.0 | % | \$ 180,236 | 100.0 | % |

Our content delivery revenue decreased during the year ended December 31, 2013 versus the comparable 2012 period primarily due to customer churn, a decline in our average unit selling price, a decline in our transit and co-location services revenue, the expiration of a reseller contract during the second quarter of 2012, and foreign currency headwinds. These decreases were partially offset by increased traffic delivered and the addition of new customers. As of December 31, 2013, we had 1,295 active customers worldwide compared to 1,451 as of December 31, 2012, due in part to our continued selective approach to accepting profitable business by establishing a clear process for identifying customers that value quality, performance, availability, and service. Despite adding many new customers during the year, we ended 2013 with a net customer loss.

The customers that comprise our top 10 customers have continually changed, and our large customers such as Netflix, Inc. (Netflix) may not continue to be as significant going forward as they have been in the past. As previously disclosed, our contract with Netflix was scheduled to expire on December 31, 2013. We recently entered into an agreement

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with Netflix to extend our relationship into mid-2014. We cannot assure you that this contract will be extended or that Netflix will continue to be a significant customer going forward.

Our value added services revenue increased during the year ended December 31, 2013 versus the comparable 2012 period primarily due to an increase in our video revenue and our performance services revenue. These increases were partially offset by decreases in our professional services and content management revenue.

Revenue by geography is based on the location of the customer from which the revenue is earned. During 2013, we made reclassifications to certain customers within our geographic regions. This was primarily the result of customers relocating from one geographic region to another geographic region. For all periods presented, customers are reported in their new geographic region. The impact of the customer reclassifications from previously reported amounts were as follows. For the year ended December 31, 2012, Americas increased \$1,734, EMEA increased \$4,422, and Asia Pacific decreased \$6,156.

The following table sets forth revenue by geographic area (in thousands):

| | Year Ended December 31, | | | | | |
|---------------|-------------------------|-------|---|-----------|-------|---|
| | 2013 | | | 2012 | | |
| Americas | \$118,413 | 68.3 | % | \$125,600 | 69.7 | % |
| EMEA | 31,401 | 18.1 | % | 30,898 | 17.1 | % |
| Asia Pacific | 23,619 | 13.6 | % | 23,738 | 13.2 | % |
| Total revenue | \$173,433 | 100.0 | % | \$180,236 | 100.0 | % |

At this time, we anticipate revenues will decrease in 2014 compared to 2013 as a result of our sale of our WCM business in December 2013 and the expiration of our Netflix contract in mid-2014.

Cost of Revenue

Cost of revenue consists primarily of fees paid to network providers for bandwidth and backbone, costs incurred for non-settlement free peering and connection to ISPs, and fees paid to data center operators for housing of our network equipment in third party network data centers, also known as co-location costs. Cost of revenue also includes depreciation of network equipment used to deliver our content delivery services, payroll and related costs, and share-based compensation for our network operations and professional services personnel. Other costs include professional fees and outside services, travel and travel-related expenses and royalty expenses.

Cost of revenue was composed of the following (in thousands and as a percentage of total revenue):

| | Year Ended December 31, | | | | | |
|------------------------------------|-------------------------|------|---|-----------|------|---|
| | 2013 | | | 2012 | | |
| Bandwidth and co-location fees | \$59,447 | 34.3 | % | \$56,716 | 31.5 | % |
| Depreciation - network | 22,942 | 13.2 | % | 27,992 | 15.5 | % |
| Payroll and related employee costs | 18,951 | 10.9 | % | 18,075 | 10.0 | % |
| Share-based compensation | 1,873 | 1.1 | % | 2,117 | 1.2 | % |
| Other costs | 8,512 | 4.9 | % | 8,318 | 4.6 | % |
| Total cost of revenue | \$111,725 | 64.4 | % | \$113,218 | 62.8 | % |

Our cost of revenue decreased in aggregate dollars and increased as a percentage of total revenue for the year ended December 31, 2013 versus the comparable 2012 period, primarily as a result of the following:

- bandwidth and co-location fees which increased primarily due to increased peering costs and rack fees as a result of an increase in traffic delivered;
- payroll and related employee costs increased due to increased operations personnel; and
- Other costs increased due to higher consulting fees.

These increases were offset by a decrease in network depreciation as equipment becomes fully depreciated.

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We anticipate depreciation expense related to our network equipment will continue to decrease compared to 2013 in both absolute dollars and as a percentage of revenue as our capital expenditures have decreased in recent years.

General and Administrative

General and administrative expense was composed of the following (in thousands and as a percentage of total revenue):

| | Year Ended December 31, | | | | | |
|--|-------------------------|------|---|----------|------|---|
| | 2013 | | | 2012 | | |
| Payroll and related employee costs | \$10,206 | 5.9 | % | \$9,388 | 5.2 | % |
| Professional fees and outside services | 7,762 | 4.5 | % | 8,123 | 4.5 | % |
| Share-based compensation | 5,971 | 3.4 | % | 6,511 | 3.6 | % |
| Bad debt expense | 965 | 0.6 | % | 2,010 | 1.1 | % |
| Other costs | 7,000 | 4.0 | % | 8,468 | 4.7 | % |
| Total general and administrative | \$31,904 | 18.4 | % | \$34,500 | 19.1 | % |

Our general and administrative expense decreased in aggregate dollars and slightly decreased as a percentage of total revenue for the year ended December 31, 2013 versus the comparable 2012 period, primarily as a result of the following:

- a decrease in other costs which was primarily due to lower non-income taxes due to a recovery of use tax, decreased fees and licenses and decreased facilities and facilities related costs;

- decreased bad debt expense due to lower past due and unrecoverable amounts from certain customers; and

- decreased stock based compensation for administrative personnel.

These decreases were partially offset by an increase in payroll and payroll related employee costs due to increased salaries.

Sales and Marketing

Sales and marketing expense was composed of the following (in thousands and as a percentage of total revenue):

| | Year Ended December 31, | | | | | |
|------------------------------------|-------------------------|------|---|----------|------|---|
| | 2013 | | | 2012 | | |
| Payroll and related employee costs | \$24,799 | 14.3 | % | \$27,293 | 15.1 | % |
| Share-based compensation | 2,245 | 1.3 | % | 3,104 | 1.7 | % |
| Marketing programs | 2,822 | 1.6 | % | 2,599 | 1.4 | % |
| Other costs | 11,608 | 6.7 | % | 12,048 | 6.7 | % |
| Total sales and marketing | \$41,474 | 23.9 | % | \$45,044 | 25.0 | % |

Our sales and marketing expense decreased in aggregate dollars and as a percentage of total revenue for the year ended December 31, 2013 versus the comparable 2012 period, primarily as a result of the following:

- payroll and related employee costs decreased due to lower salaries and lower variable compensation on reduced revenue and lower headcount; and

- stock-based compensation decreased due to lower headcount in our sales organization.

These decreases in costs were partially offset by an increase in marketing programs as a result of trade shows, the announcement of Limelight Orchestrate V2.0 during the second quarter of 2013 and the announcement of Limelight Orchestrate V2.5 during the fourth quarter of 2013.

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Research and Development

Research and development expense was composed of the following (in thousands and as a percentage of total revenue):

| | Year Ended December 31, | | | | | |
|------------------------------------|-------------------------|--------|----------|--------|--|--|
| | 2013 | | 2012 | | | |
| Payroll and related employee costs | \$16,568 | 9.6 % | \$15,006 | 8.3 % | | |
| Share-based compensation | 2,256 | 1.3 % | 2,743 | 1.5 % | | |
| Other costs | 3,179 | 1.8 % | 2,433 | 1.3 % | | |
| Total research and development | \$22,003 | 12.7 % | \$20,182 | 11.2 % | | |

Our research and development expense increased in aggregate dollars and as a percentage of total revenue for the year ended December 31, 2013 versus the comparable 2012 period, primarily as a result of the following:

• increased payroll and related employee costs due to increased salaries for network and software engineering personnel; and

• increased other costs primarily due to higher consulting costs.

These increases in research and development expense were partially offset by a decrease in stock-based compensation. Depreciation and Amortization (Operating Expenses)

Depreciation and amortization expense was \$5,804, or 3.3% of revenue, for the year ended December 31, 2013 versus \$5,843, or 3.2% of revenue, for the comparable 2012 period. Depreciation expense consists of depreciation on equipment and furnishings used by general administrative, sales and marketing, and research and development personnel. Amortization expense consists of amortization of intangible assets acquired in business combinations.

Interest Expense

Interest expense was \$76 for the year ended December 31, 2013 versus \$177 for the comparable 2012 period. Interest expense is primarily comprised of interest paid on capital leases.

As of December 31, 2013, with the exception of our capital leases, we had no outstanding credit facilities.

Interest Income

Interest income was \$321 for the year ended December 31, 2013 versus \$356 for the comparable 2012 period. Interest income includes interest earned on invested cash balances and marketable securities.

Gain on Sale of Cost Basis Investment

In August 2012, we sold our strategic investment in Gaikai Inc. (Gaikai), a private cloud-based gaming company and we recorded a gain on sale of our cost basis investment of \$9,420.

Other Income (Expense)

Other income (expense) was \$4,643 for the year ended December 31, 2013 versus \$(602) for the comparable 2012 period. For the year ended December 31, 2013, other income (expense) consists primarily of the gain on the sale of Clickability of approximately \$3,836 as well as foreign currency transaction gains and losses.

For the year ended December 31, 2012, other income (expense) consists primarily of foreign currency transaction gains and losses.

Income Tax Expense

Based on an estimated annual effective tax rate and discrete items, the estimated income tax expense from continuing operations for the year ended December 31, 2013 was \$387, versus \$481, for the comparable 2012 period. Income tax expense on the loss from continuing operations before taxes was different than the statutory income tax rate primarily due to our providing for a valuation allowance on deferred tax assets in certain jurisdictions, and recording of state and foreign tax expense for the year. The effective income tax rate is based primarily upon forecasted income or loss for the year, the

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composition of the income or loss in different countries, and adjustments, if any, for the potential tax consequences, benefits or resolutions for tax audits.

Gain (Loss) from Discontinued Operations

Discontinued operations relate to our EyeWonder and chors rich media advertising services. On September 1, 2011, we completed the sale of EyeWonder and chors to DG. See Note 5 of Notes to Consolidated Financial Statements included in Part II, Item 8 of this annual report on Form 10-K for additional information about discontinued operations.

Comparison of the Years Ended December 31, 2012 and 2011

Revenue

The following table reflects our revenue (in thousands of dollars and as a percentage of total revenue):

| | Year Ended December 31, | | | | | |
|--------------------------|-------------------------|-------|---|-----------|-------|---|
| | 2012 | | | 2011 | | |
| Content delivery network | \$121,802 | 67.6 | % | \$126,608 | 73.9 | % |
| Value added services | 58,434 | 32.4 | % | 44,684 | 26.1 | % |
| Total revenue | \$180,236 | 100.0 | % | \$171,292 | 100.0 | % |

Our content delivery revenue decreased during the year ended December 31, 2012 versus the comparable 2011 period primarily due to lower reseller revenue, a decrease in other non-traffic related revenue and a decrease in our network pop-build and license revenue from Microsoft.

As of December 31, 2012, we had 1,451 active customers worldwide compared to 1,565 as of December 31, 2011.

The decrease in customer count was primarily attributable to the loss of smaller revenue generating customers.

Our value added services revenue increased during the year ended December 31, 2012 versus the comparable 2011 period primarily due to an increase in our web content management, video publishing and cloud storage revenues due to acquisitions completed during 2011.

The following table sets forth revenue by geographic area (in thousands):

| | Year Ended December 31, | | | | | |
|---------------|-------------------------|-------|---|-----------|-------|---|
| | 2012 | | | 2011 | | |
| Americas | \$125,600 | 69.7 | % | \$119,865 | 70.0 | % |
| EMEA | 30,898 | 17.1 | % | 31,697 | 18.5 | % |
| Asia Pacific | 23,738 | 13.2 | % | 19,730 | 11.5 | % |
| Total revenue | \$180,236 | 100.0 | % | \$171,292 | 100.0 | % |

Revenue by geography is based on the location of the customer from which the revenue is earned. During 2013, we made reclassifications to certain customers within our geographic regions. This was primarily the result of customers relocating from one geographic region to another geographic region. For all periods presented, customers are reported in their new geographic region. The impact of the customer reclassifications from previously reported amounts were as follows. For the year ended December 31, 2012, Americas increased \$1,734, EMEA increased \$4,422, and Asia Pacific decreased \$6,156. For the year ended December 31, 2011, Americas increased \$567, EMEA increased \$5,729, and Asia Pacific decreased \$6,296.

Cost of Revenue

Cost of revenue was composed of the following (in thousands and as a percentage of total revenue):

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| | Year Ended December 31, | | | | | |
|------------------------------------|-------------------------|------|---|-----------|------|---|
| | 2012 | | | 2011 | | |
| Bandwidth and co-location fees | \$56,716 | 31.5 | % | \$58,847 | 34.4 | % |
| Depreciation - network | 27,992 | 15.5 | % | 28,030 | 16.4 | % |
| Payroll and related employee costs | 18,075 | 10.0 | % | 15,577 | 9.1 | % |
| Share-based compensation | 2,117 | 1.2 | % | 2,419 | 1.4 | % |
| Other costs | 8,318 | 4.6 | % | 6,133 | 3.6 | % |
| Total cost of revenue | \$113,218 | 62.8 | % | \$111,006 | 64.8 | % |

Our cost of revenue increased in aggregate dollars and decreased as a percentage of total revenue for the year ended December 31, 2012 versus the comparable 2011 period, primarily as a result of the following:

- payroll and related employee costs increased due to increased salaries and bonus accrual; and
- other costs which increased due to higher consulting and recruiting fees and increased fees and licenses.

These increases were partially offset by decreases in bandwidth and co-location fees which decreased primarily due to reduced transit costs, rack fees and other recurring costs of sales and service offset by increased peering costs.

General and Administrative

General and administrative expense was composed of the following (in thousands and as a percentage of total revenue):

| | Year Ended December 31, | | | | | |
|--|-------------------------|------|---|----------|------|---|
| | 2012 | | | 2011 | | |
| Payroll and related employee costs | \$9,388 | 5.2 | % | \$9,096 | 5.3 | % |
| Professional fees and outside services | 8,123 | 4.5 | % | 5,840 | 3.4 | % |
| Share-based compensation | 6,511 | 3.6 | % | 6,132 | 3.6 | % |
| Bad debt expense | 2,010 | 1.1 | % | 1,130 | 0.7 | % |
| Other costs | 8,468 | 4.7 | % | 8,474 | 4.9 | % |
| Total general and administrative | \$34,500 | 19.1 | % | \$30,672 | 17.9 | % |

Our general and administrative expense increased in aggregate dollars and increased as a percentage of revenue for the year ended December 31, 2012 versus the comparable 2011 period, primarily as a result of the following:

- increased professional fees primarily due to increased consulting expenses, legal fees related to intellectual property matters and recruiting fees;
- increased bad debt expense due to uncollectible accounts receivable from a related party; and
- increased payroll and payroll-related costs.

Sales and Marketing

Sales and marketing expense was composed of the following (in thousands and as a percentage of total revenue):

| | Year Ended December 31, | | | | | |
|------------------------------------|-------------------------|------|---|----------|------|---|
| | 2012 | | | 2011 | | |
| Payroll and related employee costs | \$27,293 | 15.1 | % | \$24,296 | 14.2 | % |
| Share-based compensation | 3,104 | 1.7 | % | 3,776 | 2.2 | % |
| Marketing programs | 2,599 | 1.4 | % | 2,341 | 1.4 | % |
| Other costs | 12,048 | 6.7 | % | 9,697 | 5.7 | % |
| Total sales and marketing | \$45,044 | 25.0 | % | \$40,110 | 23.4 | % |

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Our sales and marketing expense increased in aggregate dollars and as a percentage of revenue for the year ended December 31, 2012 versus the comparable 2011 period, primarily as a result of the following:

- payroll and related employee costs increased due to increased salaries and benefits and to a lesser extent increased variable compensation; and
- increased other costs, primarily related to increased travel, consulting and recruiting fees, facility and facility-related costs and increased fees and licenses.

These increases in costs were partially offset by a decrease in share-based compensation.

Research and Development

Research and development expense was composed of the following (in thousands and as a percentage of total revenue):

| | Year Ended December 31, | | | | | |
|------------------------------------|-------------------------|------|---|----------|------|---|
| | 2012 | | | 2011 | | |
| Payroll and related employee costs | \$15,006 | 8.3 | % | \$11,826 | 6.9 | % |
| Share-based compensation | 2,743 | 1.5 | % | 3,554 | 2.1 | % |
| Other costs | 2,433 | 1.3 | % | 1,783 | 1.0 | % |
| Total research and development | \$20,182 | 11.2 | % | \$17,163 | 10.0 | % |

Our research and development expense increased in aggregate dollars and as a percentage of revenue for the year ended December 31, 2012 versus the comparable 2011 period, primarily as a result of the following:

- increased payroll and related employee costs due to increased hiring of network and software engineering personnel; and
- increased other costs which include consulting and recruiting fees, telephone, fees and licenses, office supplies and other employee costs.

These increases in research and development expense were partially offset by a decrease in stock-based compensation.

Depreciation and Amortization (Operating Expenses)

Depreciation and amortization expense was \$5,843, or 3.2% of revenue, for the year ended December 31, 2012 versus \$4,787, or 2.8% of revenue, for the comparable 2011 period. Depreciation expense consists of depreciation on equipment and furnishing used by general administrative, sales and marketing, and research and development personnel. Amortization expense consists of amortization of intangible assets acquired in business combinations.

Interest Expense

Interest expense was \$177 for the year ended December 31, 2012 versus \$299 for the comparable 2011 period. Interest expense for the year ended December 31, 2012 is primarily comprised of interest paid on capital leases. Interest expense for the year ended December 31, 2011 is comprised of interest paid on capital leases, the accretion of contingent consideration related to our business acquisitions and bank fees.

As of December 31, 2012, with the exception of our capital leases, we had no outstanding credit facilities.

Interest Income

Interest income was \$356 for the year ended December 31, 2012 versus \$752 for the comparable 2011 period. Interest income includes interest earned on invested cash balances and marketable securities. The decrease in interest income was primarily due to lower interest rates on our cash and marketable securities balances.

Gain on Sale of Cost Basis Investment

In August 2012, we sold our strategic investment in Gaikai, a private cloud-based gaming company and we recorded a gain on sale of our cost basis investment of \$9,420.

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Other (Expense) Income

Other (expense) income was \$(602) for the year ended December 31, 2012 versus \$(311) for the comparable 2011 period. Other (expense) income consists primarily of foreign currency transaction gains and losses.

Income Tax Expense

Based on an estimated annual effective tax rate and discrete items, the estimated income tax expense from continuing operations for the year ended December 31, 2012 was \$481 versus an income tax benefit of \$(2,238), for the comparable 2011 period. Income tax expense on the loss from continuing operations before taxes was different than the statutory income tax rate primarily due to our providing for a valuation allowance on deferred tax assets in certain jurisdictions, and recording of state and foreign tax expense for the year. The effective income tax rate is based primarily upon forecasted income or loss for the year, the composition of the income or loss in different countries, and adjustments, if any, for the potential tax consequences, benefits or resolutions for tax audits.

Gain (Loss) from Discontinued Operations

Discontinued operations relate to our EyeWonder and chors rich media advertising services. On September 1, 2011, we completed the sale of EyeWonder and chors to DG. See Note 5 of Notes to Consolidated Financial Statements included in Part II, Item 8 of this annual report on Form 10-K for additional information about discontinued operations.

Liquidity and Capital Resources

As of December 31, 2013, our cash, cash equivalents and marketable securities classified as current totaled \$118,462. Included in this amount is approximately \$14,144 of cash and cash equivalents held outside the United States that would be subject to withholding taxes upon repatriation.

The major components of changes in cash flows for the years ended December 31, 2013, 2012, and 2011 are discussed in the following paragraphs.

Operating Activities

Net cash provided by operating activities of continuing operations decreased by \$6,833 for the year ended December 31, 2013 versus the comparable 2012 period. Changes in operating assets and liabilities of \$2,130 during the year ended December 31, 2013 versus \$1,672 in the comparable 2012 period were primarily due to:

• accounts receivable decreased \$2,581 during the year ended December 31, 2013 due to the timing of billings net of collections as compared to a \$567 increase in the comparable 2012 period;

• prepaid expenses and other current assets and other long-term assets decreased \$1,741 due to the amortization of certain prepaid vendor contracts and the collection of non-income tax related receivables during the year ended December 31, 2013 versus the comparable 2012 period; and

• accounts payable decreased \$2,192 during the year ended December 31, 2013 versus the comparable 2012 period due to timing of vendor payments.

Net cash provided by operating activities of continuing operations increased by \$7,637 for the year ended December 31, 2012 versus the comparable 2011 period. Changes in operating assets and liabilities of \$1,672 during the year ended December 31, 2012 versus \$11,031 of cash used in the comparable 2011 period were primarily due to changes in:

• prepaid expenses and other current assets and other long-term assets due to utilization of advanced payments for bandwidth and backbone services;

• accounts payable associated with the timing of vendor payments; and

• other current liabilities due to reduced payments on the obligations.

Cash provided by operating activities may not be sufficient to cover new purchases of property and equipment during 2014 and potential litigation expenses associated with patent litigation. The timing and amount of future working capital changes and our ability to manage our days sales outstanding will also affect the future amount of cash used in or provided by operating activities.

Investing Activities

Net cash used in investing activities of continuing operations was \$19,019 for the year ended December 31, 2013 versus \$450 for the comparable 2012 period. Net cash used in investing activities was principally comprised of cash used for

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the purchase of short-term marketable securities and capital expenditures primarily for computer equipment associated with the build-out and expansion of our global computing platform, offset by cash generated from maturities of short-term marketable securities, the proceeds from the sale of our WCM business, the receipt of proceeds from the sale of our investment in Gaikai that had been held in an escrow account and the sale of discontinued operations. Net cash used in investing activities of continuing operations was \$450 for the year ended December 31, 2012, versus cash provided by investing activities of \$15,497 for the comparable 2011 period. Net cash used in investing activities was principally comprised of cash used for the purchase of short-term marketable securities and capital expenditures primarily for computer equipment associated with the build-out and expansion of our global computing platform, offset by cash generated from maturities of short-term marketable securities, cash collected on the DG receivable, and proceeds from the sale of our investment in Gaikai.

We expect to have ongoing capital expenditure requirements as we continue to invest in and expand our content delivery network. During 2013, we made capital expenditures of \$18,575, which represented approximately 11% of our total revenue.

Financing Activities

Net cash used in financing activities of continuing operations was \$8,922 for the year ended December 31, 2013 versus \$23,093 for the comparable 2012 period. Net cash used in financing activities in the year ended December 31, 2013 related to payments made for the purchase of our common stock under our stock repurchase plans of \$5,512, payments of employee tax withholdings related to restricted stock units of \$2,372 and payments made on our capital lease obligations of \$1,301, offset by cash received from the purchase of common stock through our employee stock purchase plan of \$225 and cash received from the exercise of stock options of \$38.

Net cash used in financing activities of continuing operations was approximately \$23,093 for the year ended December 31, 2012, versus \$50,829 of net cash provided by financing activities of continuing operations for the comparable 2011 period. Net cash used in financing activities during the year ended December 31, 2012 related to payments made for the purchase of shares of our common stock under our stock repurchase plans of \$20,851, payments made on our capital lease obligations of \$1,749, and payments of employee tax withholdings related to RSUs of \$683, offset by cash received from the exercise of stock options of \$190.

On October 29, 2012, our board of directors authorized and approved a third common stock repurchase plan that authorized us to repurchase up to \$10,000 of our shares of common stock, exclusive of any commissions, markups or expenses, from time to time through May 9, 2013. During 2013, we purchased and cancelled approximately 2,300 shares under the third repurchase plan. Any repurchased shares were cancelled and returned to authorized but unissued status. Our third common stock repurchase plan is now complete.

As of December 31, 2013, we had no outstanding debt other than the aforementioned capital leases.

Changes in cash, cash equivalents and marketable securities are dependent upon changes in, among other things, working capital items such as deferred revenues, accounts payable, accounts receivable, accrued provision for litigation and various accrued expenses, as well as changes in our capital and financial structure due to debt repurchases and issuances, stock option exercises, sales of equity investments and similar events.

We believe that our existing cash, cash equivalents and marketable securities will be sufficient to meet our anticipated cash needs for at least the next 12 months. If the assumptions underlying our business plan regarding future revenue and expenses change, or if unexpected opportunities or needs arise, we may seek to raise additional cash by selling equity or debt securities.

Contractual Obligations, Contingent Liabilities, and Commercial Commitments

In the normal course of business, we make certain long-term commitments for operating leases, primarily office facilities, bandwidth, and computer rack space. These leases expire on various dates ranging from 2014 to 2022. We expect that the growth of our business will require us to continue to add to and increase our long-term commitments in 2014 and beyond. As a result of our growth strategies, we believe that our liquidity and capital resources requirements will grow.

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The following table presents our contractual obligations and commercial commitments, as of December 31, 2013 over the next five years and thereafter (in thousands):

| Contractual obligations as of December 31, 2013 | Payments Due by Period | | | | |
|---|------------------------|---------------------|-----------|-----------|----------------------|
| | Total | Less than 1 year | 1-3 years | 3-5 years | More than 5 years |
| Operating Leases | | | | | |
| Bandwidth leases | \$ 18,023 | \$ 12,880 | \$ 4,332 | \$ 811 | \$— |
| Rack space leases | 38,037 | 19,236 | 18,356 | 445 | — |
| Real estate leases | 15,350 | 3,887 | 5,863 | 4,465 | 1,135 |
| Total operating leases | 71,410 | 36,003 | 28,551 | 5,721 | 1,135 |
| Capital leases | 874 | 498 | 371 | 5 | — |
| Other purchase obligations | 1,428 | 612 | 816 | — | — |
| Total commitments | \$73,712 | \$37,113 | \$29,738 | \$5,726 | \$1,135 |

Off Balance Sheet Arrangements

As of December 31, 2013, we are not involved in any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

New Accounting Pronouncements

We do not expect the provisions of recently issued accounting standards to have a significant impact on our future financial statements and disclosures.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk**Interest Rate Risk**

Our exposure to market risk for changes in interest rates relates primarily to our debt and investment portfolio. In our investment portfolio, we do not use derivative financial instruments. Our investments are primarily with our commercial and investment banks and, by policy, we limit the amount of risk by investing primarily in money market funds, United States Treasury obligations, high quality corporate and municipal obligations, and certificates of deposit. Our outstanding capital lease obligations bear fixed interest rates and fluctuations in interest rates. We do not believe that a 10% change in interest rates would have a significant impact on our interest income, operating results, or liquidity.

Foreign Currency Risk

We operate in the Americas, EMEA and Asia-Pacific. As a result of our international business activities, our financial results could be affected by factors such as changes in foreign currency exchange rates or economic conditions in foreign markets, and there is no assurance that exchange rate fluctuations will not harm our business in the future. We have foreign currency exchange rate exposure on our results of operations as it relates to revenues and expenses denominated in foreign currencies. A portion of our cost of revenues and operating expenses are denominated in foreign currencies as are revenues associated with certain international customers. To the extent that the U.S. dollar weakens, similar foreign currency denominated transactions in the future will result in higher revenues and higher cost of revenues and operating expenses, with expenses having the greater impact on our financial results. Similarly, our revenues and expenses will decrease if the U.S. dollar strengthens against these foreign currencies. Although we will continue to monitor our exposure to currency fluctuations, and, where appropriate, may use financial hedging techniques in the future to minimize the effect of these fluctuations, we are not currently engaged in any financial hedging transactions. Assuming a 10% weakening of the U.S. dollar relative to our foreign currency denominated revenues and expenses, our net loss for the year ended December 31, 2013 would have been higher by approximately \$3,059. There are inherent limitations in the sensitivity analysis presented, primarily due to the assumption that foreign exchange rate movements across multiple jurisdictions are similar and would be linear and instantaneous. As a result, the analysis is unable to reflect the potential effects of more complex markets or other changes that could arise which may positively or negatively affect our results of operations.

Inflation Risk

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We do not believe that inflation has had a material effect on our business, financial condition, or results of operations. If our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition and results of operations.

Credit Risk

During any given fiscal period, a relatively small number of customers typically account for a significant percentage of our revenue. For example, in 2013, 2012, and 2011, sales to our top 10 customers accounted for approximately 35%, 33% and 34%, respectively, of our total revenue. During 2013, 2012 and 2011, we had one customer, Netflix, who represented approximately 11% of our total revenue for each year. In 2014, we anticipate that our top 10 customer concentration levels will remain consistent with 2013. In the past, the customers that comprised our top 10 customers have continually changed, and our large customers may not continue to be as significant going forward as they have been in the past.

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Item 8. Financial Statements and Supplementary Data
LIMELIGHT NETWORKS, INC.
Index to Consolidated Financial Statements and Schedule

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Limelight Networks, Inc.

We have audited the accompanying consolidated balance sheets of Limelight Networks, Inc. as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive loss, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2013. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Limelight Networks, Inc. at December 31, 2013 and 2012, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Limelight Networks, Inc.'s internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated February 20, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Phoenix, Arizona
February 20, 2014

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Limelight Networks, Inc.
Consolidated Balance Sheets
(In thousands, except per share data)

| | December 31, 2013 | December 31, 2012 |
|--|----------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$85,956 | \$108,915 |
| Marketable securities | 32,506 | 19,040 |
| Accounts receivable, net | 21,430 | 26,602 |
| Income taxes receivable | 371 | 471 |
| Deferred income taxes | 93 | 38 |
| Prepaid expenses and other current assets | 8,192 | 12,308 |
| Total current assets | 148,548 | 167,374 |
| Property and equipment, net | 32,905 | 41,251 |
| Marketable securities, less current portion | 46 | 18 |
| Deferred income tax, less current portion | 1,307 | 2,838 |
| Goodwill | 77,035 | 80,278 |
| Other intangible assets, net | 2,354 | 6,387 |
| Other assets | 6,103 | 6,735 |
| Total assets | \$268,298 | \$304,881 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$5,473 | \$6,730 |
| Deferred revenue | 3,523 | 6,892 |
| Capital lease obligations | 466 | 1,301 |
| Income taxes payable | 799 | 519 |
| Other current liabilities | 15,022 | 14,866 |
| Total current liabilities | 25,283 | 30,308 |
| Capital lease obligations, less current portion | 358 | 824 |
| Deferred income tax | 321 | 461 |
| Deferred revenue, less current portion | 1,500 | 797 |
| Other long-term liabilities | 3,505 | 5,261 |
| Total liabilities | 30,967 | 37,651 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Convertible preferred stock, \$0.001 par value; 7,500 shares authorized; 0 shares issued and outstanding | — | |
| Common stock, \$0.001 par value; 300,000 shares authorized at December 31, 2013 and, 2012; 97,677 and 98,038 shares issued and outstanding at December 31, 2013 and 2012, respectively | 98 | 98 |
| Additional paid-in capital | 458,748 | 452,258 |
| Contingent consideration | — | 33 |
| Accumulated other comprehensive loss | (1,663 |) (709) |
| Accumulated deficit | (219,852 |) (184,450) |
| Total stockholders' equity | 237,331 | 267,230 |

| | | |
|--|-----------|-----------|
| Total liabilities and stockholders' equity | \$268,298 | \$304,881 |
|--|-----------|-----------|

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

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Limelight Networks, Inc.
 Consolidated Statements of Operations
 (In thousands, except per share data)

| | Years Ended December 31, | | |
|---|--------------------------|-------------|-------------|
| | 2013 | 2012 | 2011 |
| Revenues | \$173,433 | \$180,236 | \$171,292 |
| Cost of revenue: | | | |
| Cost of services (1) | 88,783 | 85,226 | 82,976 |
| Depreciation — network | 22,942 | 27,992 | 28,030 |
| Total cost of revenue | 111,725 | 113,218 | 111,006 |
| Gross profit | 61,708 | 67,018 | 60,286 |
| Operating expenses: | | | |
| General and administrative | 31,904 | 34,500 | 30,672 |
| Sales and marketing | 41,474 | 45,044 | 40,110 |
| Research and development | 22,003 | 20,182 | 17,163 |
| Depreciation and amortization | 5,804 | 5,843 | 4,787 |
| Total operating expenses | 101,185 | 105,569 | 92,732 |
| Operating loss | (39,477 |) (38,551 |) (32,446 |
| Other income (expense): | | | |
| Interest expense | (76 |) (177 |) (299 |
| Interest income | 321 | 356 | 752 |
| Gain on sale of cost basis investment | — | 9,420 | — |
| Other, net | 4,643 | (602 |) (311 |
| Total other income | 4,888 | 8,997 | 142 |
| Loss from continuing operations before income taxes | (34,589 |) (29,554 |) (32,304 |
| Income tax provision (benefit) | 387 | 481 | (2,238 |
| Loss from continuing operations | (34,976 |) (30,035 |) (30,066 |
| Discontinued operations: | | | |
| (Loss) income from discontinued operations, net of income taxes | (426 |) (2,861 |) 4,778 |
| Net loss | \$(35,402 |) \$(32,896 |) \$(25,288 |
| Basic net (loss) income per weighted average share: | | | |
| Continuing operations | \$(0.36 |) \$(0.30 |) \$(0.28 |
| Discontinued operations | (0.01 |) (0.02 |) 0.05 |
| Total | \$(0.37 |) \$(0.32 |) \$(0.23 |
| Diluted net (loss) income per weighted average share: | | | |
| Continuing operations | \$(0.36 |) \$(0.30 |) \$(0.28 |
| Discontinued operations | (0.01 |) (0.02 |) 0.05 |
| Total | \$(0.37 |) \$(0.32 |) \$(0.23 |
| Shares used in per weighted average share calculations: | | | |
| Basic | 96,851 | 101,283 | 109,236 |
| Diluted | 96,851 | 101,283 | 109,236 |

(1) Cost of services excludes amortization related to intangibles, including existing technologies, customer relationships, and trade names and trademarks, which are included in depreciation and amortization. The accompanying notes are an integral part of the consolidated financial statements.

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LIMELIGHT NETWORKS, INC.

Consolidated Statements of Comprehensive Loss

(In thousands)

| | Years Ended December 31, | | | |
|--|--------------------------|-------------|-------------|---|
| | 2013 | 2012 | 2011 | |
| Net loss | \$(35,402 |) \$(32,896 |) \$(25,288 |) |
| Other comprehensive (loss) income, net of tax: | | | | |
| Unrealized (loss) gain on investments | (13 |) (28 |) (52 |) |
| Cumulative translation adjustment | — | — | 494 | |
| Foreign exchange translation | (941 |) (172 |) (1,069 |) |
| Discontinued operations | — | — | (211 |) |
| Other comprehensive loss, net of tax | (954 |) (200 |) (838 |) |
| Comprehensive loss | \$(36,356 |) \$(33,096 |) \$(26,126 |) |

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

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Limelight Networks, Inc.
Consolidated Statements of Stockholders' Equity
(In thousands)

| | Common Stock | | Additional Paid-In Capital | Contingent Consideration | Accumulated | | Total |
|---|--------------|--------|----------------------------------|-----------------------------|---|------------------------|------------|
| | Shares | Amount | | | Other Comprehensive Income (Loss) | Accumulated Deficit | |
| Balance at December 31, 2010 | 100,068 | \$ 100 | \$ 380,338 | \$ 1,608 | \$ 329 | \$ (126,266) | \$ 256,109 |
| Net loss | — | — | — | — | — | (25,288) | (25,288) |
| Change in unrealized gains on available-for-sale investments, net of taxes | — | — | — | — | (52) | — | (52) |
| Cumulative foreign currency translation adjustment, net of taxes | — | — | — | — | 494 | — | 494 |
| Foreign currency translation adjustment, net of taxes | — | — | — | — | (1,069) | — | (1,069) |
| Discontinued operations | — | — | — | — | (211) | — | (211) |
| Exercise of common stock options | 258 | — | 733 | — | — | — | 733 |
| Vesting of restricted stock units | 985 | 1 | (1) | — | — | — | — |
| Restricted stock units surrendered in lieu of withholding taxes | (293) | — | (1,298) | — | — | — | (1,298) |
| Common stock received from escrow in settlement of EyeWonder indemnity claims | (589) | (1) | (1,711) | — | — | — | (1,712) |
| Issuance of common stock for contingent consideration | 387 | — | 1,389 | (1,389) | — | — | — |
| Issuance of common stock for business acquisitions | 1,483 | 1 | 11,637 | — | — | — | 11,638 |
| Issuance of common stock related to secondary offering | 11,500 | 12 | 77,037 | — | — | — | 77,049 |
| Purchase of common stock | (9,450) | (9) | (24,364) | — | — | — | (24,373) |
| Share-based compensation - continuing operations | — | — | 15,881 | — | — | — | 15,881 |
| Share-based compensation — discontinued operations | — | — | 1,204 | — | — | — | 1,204 |
| Balance at December 31, 2011 | 104,349 | \$ 104 | \$ 460,845 | \$ 219 | \$ (509) | \$ (151,554) | \$ 309,105 |
| Net loss | — | — | — | — | — | (32,896) | (32,896) |
| Change in unrealized gains (losses) on available-for-sale investments, net of taxes | — | — | — | — | (28) | — | (28) |
| Foreign currency translation | — | — | — | — | (172) | — | (172) |

| | | | | | | | | |
|---|-------|------|----------|-----|---|---|--------|---|
| adjustment, net of taxes | | | | | | | | |
| Exercise of common stock options | 175 | — | 190 | — | — | — | 190 | |
| Vesting of restricted stock units | 2,451 | 3 | (3 |) — | — | — | — | |
| Restricted stock units surrendered in lieu of withholding taxes | (788 |) (1 |) (1,903 |) — | — | — | (1,904 |) |
| Common stock received from escrow in settlement of EyeWonder indemnity claims | (110 |) — | (398 |) — | — | — | (398 |) |

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| | Common Stock | | Additional Paid-In Capital | Contingent Consideration | Accumulated | | Total |
|---|--------------|--------|----------------------------------|-----------------------------|---|------------------------|-----------|
| | Shares | Amount | | | Other Comprehensive Income (Loss) | Accumulated Deficit | |
| Issuance of common stock for contingent consideration | 61 | — | 186 | (186) | — | — | — |
| Issuance of common stock for business acquisitions | 350 | — | — | — | — | — | — |
| Purchase of common stock | (8,450) | (8) | (21,134) | — | — | — | (21,142) |
| Share-based compensation continuing operations | — | — | 14,475 | — | — | — | 14,475 |
| Balance at December 31, 2012 | 98,038 | \$98 | \$452,258 | \$33 | \$ (709) | \$ (184,450) | \$267,230 |
| Net loss | — | — | — | — | — | (35,402) | (35,402) |
| Change in unrealized gains (losses) on available-for-sale investments, net of taxes | — | — | — | — | (13) | — | (13) |
| Foreign currency translation adjustment, net of taxes | — | — | — | — | (941) | — | (941) |
| Exercise of common stock options | 143 | — | 38 | — | — | — | 38 |
| Vesting of restricted stock units | 2,032 | 2 | (2) | — | — | — | — |
| Restricted stock units surrendered in lieu of withholding taxes | (593) | — | (1,304) | — | — | — | (1,304) |
| Issuance of common stock for settlement of contingent consideration | 11 | — | 33 | (33) | — | — | — |
| Issuance of common stock under employee stock purchase plan | 135 | — | 225 | — | — | — | 225 |
| Purchases of common stock | (2,089) | (2) | (4,845) | — | — | — | (4,847) |
| Share-based compensation continuing operations | — | — | 12,345 | — | — | — | 12,345 |
| Balance at December 31, 2013 | 97,677 | \$98 | \$458,748 | \$— | \$ (1,663) | \$ (219,852) | \$237,331 |

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

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Limelight Networks, Inc.
Consolidated Statements of Cash Flows
(In thousands)

| | Years Ended December 31, | | |
|---|--------------------------|--------------|--------------|
| | 2013 | 2012 | 2011 |
| Operating activities | | | |
| Net loss | \$ (35,402 |) \$ (32,896 |) \$ (25,288 |
| (Loss) income from discontinued operations | (426 |) (2,861 |) 4,778 |
| Net loss from continuing operations | (34,976 |) (30,035 |) (30,066 |
| Adjustments to reconcile net loss from continuing operations to net cash provided by operating activities of continuing operations: | | | |
| Depreciation and amortization | 28,746 | 33,835 | 32,817 |
| Share-based compensation | 12,345 | 14,475 | 15,881 |
| Foreign currency remeasurement gain | (531 |) (103 |) — |
| Deferred income taxes | (328 |) (38 |) (214 |
| Loss on disposal of property and equipment | 442 | 89 | — |
| Accounts receivable charges | 965 | 2,010 | 1,181 |
| Amortization (accretion) of premium (discount) on marketable securities | 639 | 472 | (63 |
| Non cash tax benefit associated with sale of discontinued operations | — | — | (2,572 |
| Non cash increase in cost basis investment | — | (528 |) (1,038 |
| Gain on sale of cost basis investment | — | (9,420 |) — |
| Gain on sale of the Web Content Management business | (3,836 |) — | — |
| Changes in operating assets and liabilities: | | | |
| Accounts receivable | 2,581 | (567 |) 5 |
| Prepaid expenses and other current assets | 1,222 | 2,910 | (582 |
| Income taxes receivable | 105 | (440 |) 184 |
| Other assets | 519 | (1,626 |) (3,859 |
| Accounts payable | (2,192 |) 2,419 | (2,491 |
| Deferred revenue | 4 | (137 |) (1,021 |
| Other current liabilities | 384 | 17 | (3,254 |
| Income taxes payable | 305 | (255 |) (1,357 |
| Other long term liabilities | (798 |) (649 |) 1,344 |
| Net cash provided by operating activities of continuing operations | 5,596 | 12,429 | 4,895 |
| Investing activities | | | |
| Purchase of marketable securities | (59,047 |) (27,280 |) (22,712 |
| Maturities of marketable securities | 44,901 | 27,625 | 14,932 |
| Purchases of property and equipment | (18,575 |) (18,390 |) (30,363 |
| Proceeds from the sale of cost basis investment | 1,237 | 10,154 | — |
| Proceeds from sale of the Web Content Management business | 12,341 | — | — |
| Proceeds from the sale of discontinued operations | 124 | 7,441 | 61,000 |
| Acquisition of businesses, net of cash acquired | — | — | (7,360 |
| Net cash (used in) provided by investing activities of continuing operations | (19,019 |) (450 |) 15,497 |
| Financing activities | | | |
| Payments on capital lease obligations | (1,301 |) (1,749 |) (1,384 |
| Payment of employee tax withholdings related to restricted stock | (2,372 |) (683 |) (1,196 |
| Cash paid for purchase of common stock | (5,512 |) (20,851 |) (24,373 |
| Proceeds from exercise of stock options | 38 | 190 | 733 |

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| | | | |
|---|----------|-----------|-----------|
| Proceeds from employee stock purchase plan | 225 | — | — |
| Proceeds from secondary public offering, net | — | — | 77,049 |
| Net cash (used in) provided by financing activities of continuing operations | (8,922 |) (23,093 |) 50,829 |
| Effect of exchange rate changes on cash and cash equivalents | (606 |) (171 |) 351 |
| Discontinued operations | | | |
| Cash used in operating activities of discontinued operations | (8 |) (149 |) (5,400 |
| Cash used in investing activities of discontinued operations | — | — | (684 |
| Net cash used in discontinued operations | (8 |) (149 |) (6,084 |
| Net (decrease) increase in cash and cash equivalents | (22,959 |) (11,434 |) 65,488 |
| Cash and cash equivalents, beginning of year | 108,915 | 120,349 | 54,861 |
| Cash and cash equivalents, end of year | \$85,956 | \$108,915 | \$120,349 |
| Supplement disclosure of cash flow information | | | |
| Cash paid during the year for interest | \$76 | \$178 | \$203 |
| Cash paid during the year for income taxes, net of refunds | \$321 | \$1,428 | \$1,851 |
| Property and equipment remaining in accounts payable and other current liabilities | \$1,709 | \$948 | \$3,275 |
| Purchase of property and equipment under capital leases | \$— | \$— | \$2,271 |
| Property and equipment acquired through leasehold incentives | \$386 | \$— | \$2,361 |
| Common stock issued in connection with acquisition of businesses | \$— | \$— | \$9,413 |
| Contingent consideration common stock issued in connection with acquisition of businesses | \$33 | \$186 | \$1,389 |
| Property acquired due to vendor concession | \$250 | \$— | \$— |

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

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Limelight Networks, Inc.

Notes to Consolidated Financial Statements

December 31, 2013

1. Nature of Business

Limelight Networks, Inc. (the Company) operates a globally distributed, high-performance network (its global network) and provides a suite of integrated services including content delivery services, video content management services, performance services for website and web application acceleration, and cloud storage services. These four services work collectively to enable any organization to deliver a digital experience to any device, anywhere in the world.

The Company, incorporated in Delaware, has operated in the Phoenix metropolitan area since 2001 and elsewhere throughout the United States since 2003. The Company began international operations in 2004.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP). The consolidated financial statements include accounts of the Company and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated. In addition, certain other reclassifications have been made to prior year amounts to conform to the current year presentation. All information is presented in thousands, except per share amounts and where specifically noted.

Revision of Previously Issued Financial Statements

For the year ended December 31, 2013, the statement of operations was revised to reclassify certain amounts to cost of revenues, research and development and sales and marketing expenses that were previously reported in general and administrative expenses. The following table summarizes the reclassification by line item within the statement of operations for the prior years ended December 31, 2012 and 2011:

| | For the Year Ended December 31, 2012 | | |
|----------------------------|--------------------------------------|-------------------|---------------|
| | As Reported | Reclassifications | As Revised |
| Cost of services | \$83,723 | \$ 1,503 | \$85,226 |
| Total cost of revenue | 111,715 | 1,503 | 113,218 |
| Gross profit | 68,521 | (1,503) |)67,018 |
| General and administrative | 36,003 | (1,503) |)34,500 |
| Total operating expenses | 107,072 | (1,503) |)105,569 |
| | For the Year Ended December 31, 2011 | | |
| | As Reported | Reclassifications | As Revised |
| Cost of services | \$81,556 | \$ 1,420 | \$82,976 |
| Total cost of revenue | 109,586 | 1,420 | 111,006 |
| Gross profit | 61,706 | (1,420) |)60,286 |
| General and administrative | 32,138 | (1,466) |)30,672 |
| Sales and marketing | 40,081 | 29 | 40,110 |
| Research and development | 17,146 | 17 | 17,163 |
| Total operating expenses | 94,152 | (1,420) |)92,732 |

The Company also revised the statement of cash flow presentation for certain remeasurement gains and losses from the "Effect of exchange rate changes on cash and cash equivalents" line item to the "Foreign currency remeasurement (gain)

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loss” line item included in “Net cash provided by operating activities of continuing operations.” The amount of this revision for the year ended December 31, 2012 was approximately \$103.

On September 1, 2011, the Company completed the sale of its EyeWonder LLC and subsidiaries and chors GmbH video and rich media advertising services (EyeWonder and chors) to DG FastChannel, Inc. (now Digital Generation, Inc.) (DG). The sale of EyeWonder and chors met the criteria for discontinued operations during the year ended December 31, 2011. Accordingly, the results of operations related to EyeWonder and chors have been classified as discontinued operations in all periods presented. See further discussion in Note 5.

Use of Estimates

The preparation of the consolidated financial statements and related disclosures in conformity with U.S. GAAP requires management to make judgments, assumptions, and estimates that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results and outcomes may differ from those estimates. The results of operations presented in this annual report on Form 10-K are not necessarily indicative of the results that may be expected for the year ending December 31, 2014 or for any future periods.

Foreign Currency Translation

The Company analyzes the functional currency for each of its international subsidiaries periodically to determine if a significant change in facts and circumstances indicate that the primary economic currency has changed. As of December 31, 2010, the Company’s international subsidiaries had the U.S. dollar as their functional currencies. During the first quarter of 2011, the Company analyzed the various economic factors of its international subsidiaries and determined that the operations of its subsidiaries that were previously determined to operate in a U.S. dollar functional currency environment had changed and their functional currencies should be changed to the local currencies. The Company was historically primarily focused on the United States market and deployed network assets in foreign jurisdictions to support its United States customers. The Company is now conducting business and generating revenue from an international customer base. It has significantly expanded its sales, operations and finance resources internationally and various contracts were moved to the foreign subsidiaries to better match foreign currency costs with foreign currency revenues. Effective January 1, 2011, the adjustment from translating these subsidiaries’ financial statements from the local currency to the U.S. dollar was recorded as a separate component of accumulated other comprehensive loss. The foreign currency translation adjustments reflect the translation of the balance sheet at period end exchange rates and the income statement at an average exchange rate in effect during each period. Upon the change in functional currency, the Company recorded a cumulative translation adjustment of approximately \$494, which is included in the consolidated statement of comprehensive loss for the year ended December 31, 2011. Due to changes in exchange rates between reporting periods and changes in certain account balances, the foreign currency translation adjustment will change from period to period. During the years ended December 31, 2013, 2012 and 2011, the Company recorded additional foreign currency translation losses of \$941, \$172 and \$1,069, respectively, in its statements of comprehensive loss. During the year ended December 31, 2013, the Company recorded a foreign exchange remeasurement gain of approximately \$92. During each of the years ended December 31, 2012 and 2011, the Company recorded foreign exchange remeasurement losses of approximately \$513 and \$266 respectively. The foreign exchange remeasurement gains and losses are included in other income (expense) in the consolidated statements of operations.

Recent Accounting Standards

Recently Adopted Accounting Standards

In February 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2013-02, which requires additional disclosures regarding the reporting of reclassifications out of accumulated other comprehensive income (loss). ASU 2013-02 requires an entity to present, either on the face of the statement where net income (loss) is presented, or in the notes, significant amounts reclassified out of accumulated other comprehensive income (loss) by the respective line items of net income (loss), but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income (loss) in its entirety in the same reporting period. This guidance is effective for reporting periods beginning after December 15, 2012. The Company adopted this guidance effective January 1, 2013, and has included the additional disclosures in Note 16.

In March 2013, the FASB issued ASU 2013-05, which permits an entity to release cumulative translation adjustments into net income when a reporting entity (parent) ceases to have a controlling financial interest in a subsidiary or group of assets that is a business within a foreign entity. Accordingly, the cumulative translation adjustment should be released into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided, or, if a controlling financial interest is no longer held. The revised standard is effective for the Company for fiscal years beginning after December 15, 2013. The company adopted this guidance effective

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January 1, 2014. The Company does not expect adoption of this ASU to significantly impact its consolidated financial statements.

In July 2013, the FASB issued ASU 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (Topic 740). ASU 2013-11 requires that unrecognized tax benefits be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except in certain circumstances. When those circumstances exist, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The company has adopted this guidance, see further discussion in Note 21.

Revenue Recognition

The Company derives revenue primarily from the sale of services that comprise components of its Orchestrate Platform. The Company's customers generally execute contracts with terms of one year or longer, which are referred to as recurring revenue contracts or long-term contracts. These contracts generally commit the customer to a minimum monthly level of usage with additional charges applicable for actual usage above the monthly minimum commitment. The Company defines usage as customer data sent or received using its content delivery service, or content that is hosted or cached by the Company at the request or direction of its customer. The Company recognizes the monthly minimum as revenue each month provided that an enforceable contract has been signed by both parties, the service has been delivered to the customer, the fee for the service is fixed or determinable, and collection is reasonably assured. Should a customer's usage of the Company's services exceed the monthly minimum commitment, the Company recognizes revenue for such excess in the period of the usage. For annual or other non-monthly period revenue commitments, the Company recognizes revenue monthly based upon the customer's actual usage each month of the commitment period and only recognizes any remaining committed amount for the applicable period in the last month thereof.

The Company typically charges the customer an installation fee when the services are first activated. The Company does not charge installation fees for contract renewals. Installation fees are recorded as deferred revenue and recognized as revenue ratably over the estimated life of the customer arrangement. The Company also derives revenue from services and events sold as discrete, non-recurring events or based solely on usage. For these services, the Company recognizes revenue after an enforceable contract has been signed by both parties, the fee is fixed or determinable, the event or usage has occurred and collection is reasonably assured.

The Company has, on occasion, entered into multi-element arrangements. Revenue arrangements with multiple deliverables are divided into separate units of accounting if each deliverable has stand-alone value to the customer. Arrangements not meeting these criteria are combined into a single unit of accounting.

For services sold in multiple-element arrangements, consideration is allocated to each deliverable at the inception of an arrangement based on relative selling prices. Substantially all services are sold on a stand-alone basis, providing vendor specific objective evidence (VSOE) of selling prices. In the absence of VSOE or third-party evidence of selling prices, consideration would be allocated based on the Company's best estimate of such prices.

The Company recognized approximately \$1,914, \$2,837, and \$4,309, respectively, in revenue under multi-element arrangements for the years ended December 31, 2013, 2012, and 2011. As of December 31, 2013, the Company had no deferred revenue related to multi-element arrangements.

At the inception of a customer contract for service, the Company makes an assessment as to that customer's ability to pay for the services provided. If the Company subsequently determines that collection from the customer is not reasonably assured, the Company records an allowance for doubtful accounts and bad debt expense or deferred revenue for all of that customer's unpaid invoices and ceases recognizing revenue for continued services provided until cash is received.

Deferred revenue represents amounts billed to customers for which revenue has not been recognized. Deferred revenue primarily consists of the unearned portion of monthly billed service fees, prepayments made by customers for future periods, and deferred installation fees.

Cash and Cash Equivalents

The Company holds its cash and cash equivalents in checking, money market, and highly-liquid investments. The Company considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Investments in Marketable Securities

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Management determines the appropriate classification of its marketable securities at the time of purchase and reevaluates such classification as of each balance sheet date. The Company has classified its investments in marketable securities as available-for-sale. Available-for-sale investments are initially recorded at cost with temporary changes in fair value periodically recorded through comprehensive income. Realized gains and losses and declines in value judged to be other than temporary are determined based on the specific identification method and are reported in the statements of operations. The Company periodically reviews its investments for other-than-temporary declines in fair value based on the specific identification method and writes down investments to their fair value when an other-than-temporary decline has occurred.

Accounts Receivable

Trade accounts receivable are recorded at the invoiced amounts and do not bear interest. The Company records reserves against its accounts receivable balance for service credits and for doubtful accounts. Estimates are used in determining both of these reserves. The allowance for doubtful accounts charges are included as a component of general and administrative expenses.

The allowance for doubtful accounts is based upon a calculation that uses the Company's aging of accounts receivable and applies a reserve percentage to the specific age of the receivable to estimate the allowance for doubtful accounts. The reserve percentages are determined based on the Company's historical write-off experience. These estimates could change significantly if the Company's customers' financial condition changes or if the economy in general deteriorates. The Company's reserve for service credits relates to credits that are expected to be issued to customers during the ordinary course of business. These credits typically relate to customer disputes and billing adjustments and are estimated at the time the revenue is recognized and recorded as a reduction of revenues. Estimates for service credits are based on an analysis of credits issued in previous periods.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation or amortization. Depreciation and amortization are computed using the straight-line method over the assets' estimated useful lives of the applicable asset.

| | |
|------------------------|-----------|
| Network equipment | 3 years |
| Computer equipment | 3 years |
| Capitalized software | 3 years |
| Furniture and fixtures | 3-5 years |
| Other equipment | 3-7 years |

Leasehold improvements are amortized over the shorter of the asset's estimated useful life or the respective lease term.

Repairs and maintenance are charged to expense as incurred.

Goodwill and Other Intangible Assets

Goodwill represents costs in excess of fair values assigned to the underlying net assets of the acquired company. Goodwill is not amortized but instead is tested for impairment annually or more frequently if events or changes in circumstances indicate goodwill might be impaired.

The Company's other intangible assets represent existing technologies, trade names and trademarks, and customer relationship intangibles. Other intangible assets are amortized over their respective estimated lives, ranging from less than one year to six years. In the event that facts and circumstances indicate intangibles or other long-lived assets may be impaired, the Company evaluates the recoverability and estimated useful lives of such assets. Amortization of other intangible assets is included in depreciation and amortization in the accompanying consolidated statements of operations.

Contingencies

The Company records contingent liabilities resulting from asserted and unasserted claims when it is probable that a loss has been incurred and the amount of the loss is reasonably estimable. Contingent liabilities are disclosed when there is a reasonable possibility that the ultimate loss will exceed the recorded liability. Estimating probable losses requires analysis of multiple factors, in some cases including judgments about the potential actions of third party claimants and courts. Therefore, actual losses in any future period are inherently uncertain.

Long-Lived Assets

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The Company reviews its long-lived assets for impairment annually, or whenever events or circumstances indicate that the carrying amount of an asset may not be fully recoverable. The Company recognizes an impairment loss if the sum of the expected long-term undiscounted cash flows that the long-lived asset is expected to generate is less than the carrying amount of the long-lived asset being evaluated. The Company treats any write-downs as permanent reductions in the carrying amounts of the assets. The Company believes the carrying amounts of its long-lived assets at December 31, 2013 and 2012 are fully realizable and has not recorded any impairment losses.

Deferred Rent and Lease Accounting

The Company leases bandwidth, co-location and office space in various locations. At the inception of each lease, the Company evaluates the lease terms to determine whether the lease will be accounted for as an operating or a capital lease. The term of the lease used for this evaluation includes renewal option periods only in instances where the exercise of the renewal option can be reasonably assured and failure to exercise the option would result in an economic penalty. The Company records tenant improvement allowances granted under the lease agreements as leasehold improvements within property and equipment and within deferred rent.

For leases that contain rent escalation provisions, the Company records the total rent payable during the lease term on a straight-line basis over the term of the lease (including any “rent free” period beginning upon possession of the premises), and records any difference between the actual rent paid and the straight-line rent expense recorded as increases or decreases in deferred rent.

Cost of Revenue

Cost of revenues consists primarily of fees paid to network providers for bandwidth and backbone, costs incurred for non-settlement free peering and connection to Internet service provider networks and fees paid to data center operators for housing network equipment in third party network data centers, also known as co-location costs. Cost of revenues also includes depreciation of network equipment used to deliver the Company’s content delivery services, payroll and related costs and share-based compensation for its network operations, and professional services personnel.

The Company enters into contracts for bandwidth with third party network providers with terms typically ranging from several months to five years. These contracts generally commit the Company to pay minimum monthly fees plus additional fees for bandwidth usage above contracted minimums. A portion of the global computing platform traffic delivery is completed through direct connection to ISP networks, called peering.

Research and Development and Software Development Costs

Research and development costs consist primarily of payroll and related personnel costs for the design, development, deployment, testing, operation, and enhancement of the Company’s services, and network. Costs incurred in the development of the Company’s services are expensed as incurred.

Advertising Costs

Costs associated with advertising are expensed as incurred. Advertising expenses, which are comprised of Internet, trade show, and publications advertising, were approximately \$2,754, \$2,474, and \$2,290 for the years ended December 31, 2013, 2012, and 2011, respectively.

Income Taxes

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

The Company records net deferred tax assets to the extent it believes these assets will more likely than not be realized. In making such determination, the Company considers all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies, and recent financial performance. In the event the Company was to determine that it would be able to realize its deferred income tax assets in the future in excess of their net recorded amount, the Company would make an adjustment to the valuation allowance, which would reduce the provision for income taxes.

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The Company recognizes uncertain income tax positions in its financial statements when it is more-likely-than-not the position will be sustained upon examination.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents approximate fair value due to the nature and short maturity of those instruments. The respective fair values of marketable securities are determined based on quoted market prices, which approximate fair values. The carrying amounts of accounts receivable, accounts payable, and accrued liabilities reported in the consolidated balance sheets approximate their respective fair values due to the immediate or short-term maturity of these financial instruments.

3. Investments in Marketable Securities

The following is a summary of marketable securities (designated as available-for-sale) at December 31, 2013:

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
|------------------------------|-------------------|------------------------------|-------------------------------|-------------------------|
| Government agency bonds | \$261 | \$— | \$— | \$261 |
| Certificate of deposit | 4,080 | — | 4 | 4,076 |
| Commercial paper | 2,200 | — | — | 2,200 |
| Corporate notes and bonds | 26,001 | 15 | 7 | 26,009 |
| | 32,542 | 15 | 11 | 32,546 |
| Publicly traded common stock | 12 | — | 6 | 6 |
| Total marketable securities | \$32,554 | \$15 | \$17 | \$32,552 |

At December 31, 2013, the Company evaluated its marketable securities and determined unrealized losses were due to fluctuations in interest rates. Management does not believe any of the unrealized losses represented an other-than-temporary impairment based on its evaluation of available evidence as of December 31, 2013. The Company's intent is to hold these investments to such time as these assets are no longer impaired.

Expected maturities can differ from contractual maturities because the issuers of the securities may have the right to prepay obligations without prepayment penalties, and the Company views its available-for-sale securities as available for current operations.

The amortized cost and estimated fair value of the marketable securities (designated as available-for-sale) at December 31, 2013, by maturity, are shown below:

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
|---|-------------------|------------------------------|-------------------------------|-------------------------|
| Available-for-sale securities | | | | |
| Due in one year or less | \$17,031 | \$2 | \$5 | \$17,028 |
| Due after one year and through five years | 15,511 | 13 | 6 | 15,518 |
| | \$32,542 | \$15 | \$11 | \$32,546 |

The following is a summary of marketable securities (designated as available-for-sale) at December 31, 2012:

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
|------------------------------|-------------------|------------------------------|-------------------------------|-------------------------|
| Government agency bonds | \$6,266 | \$4 | \$— | \$6,270 |
| Certificate of deposit | 2,741 | — | — | 2,741 |
| Commercial paper | 500 | — | — | 500 |
| Corporate notes and bonds | 9,527 | 3 | 1 | 9,529 |
| | 19,034 | 7 | 1 | 19,040 |
| Publicly traded common stock | 12 | 6 | — | 18 |
| Total marketable securities | \$19,046 | \$13 | \$1 | \$19,058 |

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The amortized cost and estimated fair value of the marketable securities (designated as available-for-sale) at December 31, 2012, by maturity, are shown below:

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
|---|-------------------|------------------------------|-------------------------------|-------------------------|
| Available-for-sale securities | | | | |
| Due in one year or less | \$18,260 | \$6 | \$1 | \$18,265 |
| Due after one year and through five years | 774 | 1 | — | 775 |
| | \$19,034 | \$7 | \$1 | \$19,040 |

4. Business Disposition

On December 23, 2013, the Company sold 100% of the outstanding common stock of our Web Content Management (WCM) business for \$12,341 in cash, net of preliminary working capital adjustments. After allocating goodwill of \$3,799 to WCM, the sale resulted in a gain of approximately \$3,836, which is included in Other, net in the consolidated statement of operations for the year ended December 31, 2013. This sale was not treated as a discontinued operation because the operations and cash flows of the WCM business cannot be clearly distinguished, operationally or for financial reporting purposes, from the rest of the Company.

5. Discontinued Operations

On September 1, 2011, the Company completed the sale of its EyeWonder and chors rich media advertising services to DG for net proceeds of \$61,000 (\$66,000 gross cash proceeds less \$5,000 held in escrow) plus an estimated \$10,854 receivable from DG pursuant to the purchase agreement dated as of August 30, 2011 by and among the Company, DG and Limelight Networks Germany GmbH.

The \$10,854 receivable from DG was determined by the Company based on estimated future cash payments equal to the excess of certain current assets over certain current liabilities of EyeWonder and chors as of August 30, 2011, as defined in the purchase agreement (the Net Working Capital). The Company estimated the Net Working Capital based on its determination of the current assets and current liabilities in accordance with the relevant provisions of the purchase agreement.

The following is a summary of activity related to the receivable from DG for the years ended December 31, 2013 and 2012:

| | |
|--|----------|
| Balance, December 31, 2011 | \$10,854 |
| Payments received from DG | (7,440) |
| Allowance for doubtful accounts receivable and other receivables adjustments | (2,060) |
| Net Working Capital adjustments | (818) |
| Balance, December 31, 2012 | \$536 |
| Payments received from DG | (124) |
| Allowance for doubtful accounts receivable and other receivable adjustments | (412) |
| Balance, December 31, 2013 | \$— |

During the year ended December 31, 2013, the Company recorded a charge to discontinued operations of \$412 in the consolidated statement of operations to write-off the remaining accounts receivable balance from DG as it was determined the balance was no longer collectible.

During the year ended December 31, 2012, the Company recorded a charge to discontinued operations of \$2,861 in the consolidated statement of operations comprised of \$2,060 of allowance for doubtful accounts receivable and a reduction of \$818 related to Net Working Capital adjustments.

During the year ended December 31, 2011, the Company recorded a gain on sale of discontinued operations of \$14,756 net of income taxes. The gain on sale also reflects the realization of foreign currency translation adjustment gains of approximately \$400 and \$100 in unrealized losses on investments previously included in accumulated other comprehensive income (loss).

The sale of EyeWonder and chors met the criteria to be reported as discontinued operations. Accordingly, the operating results of EyeWonder and chors have been reclassified to discontinued operations in the accompanying consolidated statements of operations. The Company included only revenues and costs directly attributable to the

discontinued operations in

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determining income (loss) from discontinued operations, and not those attributable to the ongoing entity. Accordingly, no general corporate overhead costs were allocated to discontinued operations.

Operating results of discontinued operations for the years ended December 31, 2013, 2012, and 2011, respectively, are as follows:

| | Years Ended December 31, | | |
|--|--------------------------|------------|----------|
| | 2013 | 2012 | 2011 |
| Revenues | \$— | \$— | \$22,302 |
| Cost of revenues | — | — | (8,843) |
| General and administrative expenses | (15) | 163 | (6,055) |
| Sales and marketing expenses | — | — | (8,183) |
| Research and development expenses | — | — | (4,853) |
| Depreciation and amortization | — | — | (3,761) |
| Interest expense | — | — | (16) |
| Interest income | — | — | 21 |
| Other (expense) income | — | — | (525) |
| (Loss) gain on sale of discontinued operations, net of income taxes | (411) | (3,024) | 14,756 |
| (Loss) income before income taxes | (426) | (2,861) | 4,843 |
| Income tax expense | — | — | (65) |
| (Loss) income from discontinued operations | \$(426) | \$(2,861) | \$4,778 |
| (Loss) income from discontinued operations per weighted average share: | | | |
| Basic | \$(0.01) | \$(0.02) | \$0.05 |
| Diluted | \$(0.01) | \$(0.02) | \$0.05 |
| Shares used in per weighted average share calculation for discontinued operations: | | | |
| Basic and diluted | 96,851 | 101,283 | 109,236 |

6. Accounts Receivable

Accounts receivable include:

| | December 31, | |
|---------------------------------------|--------------|----------|
| | 2013 | 2012 |
| Accounts receivable | \$17,497 | \$23,675 |
| Unbilled accounts receivable | 5,943 | 6,997 |
| | 23,440 | 30,672 |
| Less: credit allowance | (610) | (640) |
| Less: allowance for doubtful accounts | (1,400) | (3,430) |
| Total accounts receivable, net | \$21,430 | \$26,602 |

7. Prepaid Expenses and Other Current Assets

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Prepaid expenses and other current assets include:

| | December 31, | |
|---|--------------|----------|
| | 2013 | 2012 |
| Prepaid bandwidth and backbone services | \$2,045 | \$3,614 |
| Non-income taxes receivable (VAT) | 1,588 | 1,739 |
| Gaikai sale escrow receivable | — | 1,237 |
| Receivable from DG (see note 5) | — | 536 |
| Employee advances and prepaid recoverable commissions | 189 | 551 |
| Vendor deposits and other | 4,370 | 4,631 |
| Total prepaid expenses and other current assets | \$8,192 | \$12,308 |

In May 2010, the Company made a strategic investment in Gaikai Inc., a private cloud-based gaming technology company (Gaikai). In August 2012, Sony Computer Entertainment Inc. (Sony) acquired Gaikai and the Company recorded a gain on sale of its cost basis investment in Gaikai of \$9,420 which is reflected in other income (expense) in the accompanying consolidated statement of operations for the year ended December 31, 2012. The carrying value of the Gaikai cost basis investment as of the sale date was approximately \$2,000. The aggregate selling price was \$11,400 consisting of \$10,154 of cash received and \$1,237 held in escrow for a period of up to 15 months to cover any potential indemnification claims. In November 2013, the Company received \$1,246, which included the escrow receivable of \$1,237, plus interest of \$9.

Additionally, as a result of the acquisition by Sony, the Company's contract for services with Gaikai was terminated and the Company received approximately \$1,300 in terminations fees which was recorded as revenue in 2012.

8. Goodwill and Other Intangible Assets

The Company has recorded goodwill and other intangible assets as a result of its business acquisitions. Goodwill is recorded when the purchase price paid for an acquisition exceeds the estimated fair value of the net identified tangible and intangible assets acquired. In each of the Company's acquisitions, the objective of the acquisition was to expand the Company's product offerings and customer base and to achieve synergies related to cross selling opportunities, all of which contributed to the recognition of goodwill.

The Company tests goodwill for impairment on an annual basis or more frequently if events or changes in circumstances indicate that goodwill might be impaired. The Company concluded that it has one reporting unit and assigned the entire balance of goodwill to this reporting unit during 2013. The fair value of the reporting unit is determined using the Company's market capitalization as of its annual impairment assessment date or each reporting date if circumstances indicate the goodwill might be impaired. Items that could reasonably be expected to negatively affect key assumptions used in estimating fair value include but are not limited to:

- sustained decline in the Company's stock price due to a decline in its financial performance due to the loss of key customers, loss of key personnel, emergence of new technologies or new competitors;
- decline in overall market or economic conditions leading to a decline in its stock price; and
- decline in observed control premiums paid in business combinations involving comparable companies.

The estimated fair value of the reporting unit is determined using a market approach. The Company's market capitalization is adjusted for a control premium based on the estimated average and median control premiums of transactions involving companies comparable to the Company. As of the annual impairment testing date of October 31, 2013 and at December 31, 2013, the Company determined that goodwill was not impaired. The Company determined that the estimated fair value of its reporting unit exceeded carrying value by approximately \$24,800 or 11%, and \$33,100 or 14%, using the market capitalization of the Company plus an estimated control premium of 40% on October 31, 2013 and December 31, 2013, respectively. Adverse changes to certain key assumptions as described above could result in a future charge to earnings.

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The changes in the carrying amount of goodwill for continuing operations for the years ended December 31, 2013 and 2012 were as follows:

| | |
|---|------------|
| Balance, December 31, 2011 | \$80,105 |
| Foreign currency translation adjustment | 173 |
| Balance, December 31, 2012 | \$80,278 |
| Foreign currency translation adjustment | 556 |
| Disposition of the WCM business | \$(3,799) |
| Balance, December 31, 2013 | \$77,035 |

Other intangible assets that are subject to amortization consisted of the following:

| | December 31, 2013 | | |
|-------------------------------|-----------------------------|-----------------------------|---------------------------|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| Existing technologies | \$6,164 | \$(3,875) | \$2,289 |
| Customer relationships | 150 | (85) | 65 |
| Total other intangible assets | \$6,314 | \$(3,960) | \$2,354 |
| | December 31, 2012 | | |
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| Existing technologies | \$8,436 | \$(4,035) | \$4,401 |
| Customer relationships | 3,412 | (1,427) | 1,985 |
| Trade names and trademark | 160 | (159) | 1 |
| Total other intangible assets | \$12,008 | \$(5,621) | \$6,387 |

Aggregate expense related to amortization of other intangible assets included in continuing operations for the years ended December 31, 2013, 2012, and 2011 was approximately \$2,843, \$2,871, and \$2,350, respectively. Based on the Company's other intangible assets as of December 31, 2013, aggregate expense related to the amortization of other intangible assets is expected to be \$1,159 in 2014, and \$892, \$303, and \$0 for fiscal years 2015, 2016, and 2017, respectively.

The weighted average amortization period for Existing technologies is 4.7 years. The weighted average amortization period for Customer relationships is 6.0 years.

9. Property and Equipment

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Property and equipment include:

| | December 31, | |
|-----------------------------------|--------------|------------|
| | 2013 | 2012 |
| Network equipment | \$180,896 | \$168,637 |
| Computer equipment | 11,073 | 10,398 |
| Furniture and fixtures | 2,723 | 2,595 |
| Leasehold improvements | 7,162 | 6,684 |
| Other equipment | 570 | 534 |
| | 202,424 | 188,848 |
| Less: accumulated depreciation | (169,519) | (147,597) |
| Total property and equipment, net | \$32,905 | \$41,251 |

Cost of revenue depreciation expense related to property and equipment was approximately \$22,942, \$27,992, and \$28,030, respectively, for the years ended December 31, 2013, 2012, and 2011, respectively.

Operating expense depreciation and amortization expense related to property and equipment was approximately \$2,961, \$2,972, and \$2,437, respectively, for the years ended December 31, 2013, 2012, and 2011, respectively.

10. Other Assets

Other assets include:

| | December 31, | |
|---|--------------|---------|
| | 2013 | 2012 |
| Prepaid bandwidth and backbone services | \$4,268 | \$5,799 |
| Vendor deposits and other | 1,835 | 729 |
| Deferred expenses | — | 207 |
| Total other assets | \$6,103 | \$6,735 |

The Company enters into multi-year arrangements with telecommunications providers for bandwidth and backbone capacity. The agreements sometimes require the Company to make advanced payments for future services to be received.

11. Other Current Liabilities

Other current liabilities include:

| | December 31, | |
|-----------------------------------|--------------|----------|
| | 2013 | 2012 |
| Accrued compensation and benefits | \$6,682 | \$6,703 |
| Accrued cost of revenue | 1,833 | 2,307 |
| Accrued legal fees | 1,769 | 1,591 |
| Indirect taxes payable | 639 | 1,029 |
| Customer deposits | 635 | 361 |
| Other accrued expenses | 3,464 | 2,875 |
| Total other current liabilities | \$15,022 | \$14,866 |

12. Other Long Term Liabilities

Other long term liabilities include:

| | December 31, | |
|-----------------------------------|--------------|---------|
| | 2013 | 2012 |
| Deferred rent | \$3,384 | \$3,543 |
| Income taxes payable | 121 | 1,718 |
| Total other long term liabilities | \$3,505 | \$5,261 |

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13. Contingencies

Akamai Litigation

In June 2006, Akamai Technologies, Inc., or Akamai, and the Massachusetts Institute of Technology, or MIT, filed a lawsuit against the Company in the United States District Court for the District of Massachusetts alleging that the Company was infringing two patents assigned to MIT and exclusively licensed by MIT to Akamai, United States Patent No. 6,553,413 (the '413 patent) and United States Patent No. 6,108,703 (the '703 patent). In September 2006, Akamai and MIT expanded their claims to assert infringement of a third patent United States Patent No. 7,103,645 (the '645 patent). Before trial, Akamai waived by stipulation its claims of indirect or induced infringement and proceeded to trial only on the theory of direct infringement. In February 2008, a jury returned a verdict in this lawsuit, finding that the Company infringed four claims of the '703 patent at issue and rejecting the Company's invalidity defenses. The jury awarded an aggregate of approximately \$45,500 which includes lost profits, reasonable royalties and price erosion damages for the period April 2005 through December 31, 2007. In addition, the jury awarded prejudgment interest which the Company estimated to be \$2,600 at December 31, 2007. The Company recorded an aggregate \$48,100 as a provision for litigation as of December 31, 2007. During 2008, the Company recorded a potential additional provision of approximately \$17,500 for potential additional infringement damages and interest. The total provision for litigation at December 31, 2008 was \$65,600.

On July 1, 2008, the court denied the Company's Motions for Judgment as a Matter of Law (JMOL), Obviousness, and a New Trial. The court also denied Akamai's Motion for Permanent Injunction as premature and its Motions for Summary Judgment regarding the Company's equitable defenses. The court conducted a bench trial in November 2008 regarding the Company's equitable defenses. The Company also filed a motion for reconsideration of the court's earlier denial of the Company's motion for JMOL. The Company's motion for JMOL was based largely upon a clarification in the standard for a finding of joint infringement articulated by the Federal Circuit in the case of *Muniauction, Inc. v. Thomson Corp.*, released after the court denied the Company's initial motion for JMOL. On April 24, 2009, the court issued its order and memorandum setting aside the adverse jury verdict and ruling that the Company did not infringe Akamai's '703 patent and that the Company was entitled to JMOL. Based upon the court's April 24, 2009 order, the Company reversed the \$65,600 provision for litigation previously recorded for this lawsuit as the Company no longer believed that payment of any amounts represented by the litigation provision was probable. The court entered final judgment in favor of the Company on May 22, 2009, and Akamai filed its notice of appeal of the court's decision on May 26, 2009. On December 20, 2010, the Court of Appeals for the Federal Circuit issued its opinion affirming the trial court's entry of judgment in the Company's favor. On February 18, 2011, Akamai filed a motion with the Court of Appeals for the Federal Circuit seeking a rehearing and rehearing en banc. On April 21, 2011, the Court of Appeals for the Federal Circuit issued an order denying the petition for rehearing, granting the petition for rehearing en banc, vacating the December 20, 2010 opinion affirming the trial court's entry of judgment in the Company's favor, and reinstated the appeal.

On August 31, 2012, the Court of Appeals for the Federal Circuit issued its opinion in the case. The Court of Appeals stated that the trial court correctly determined that the Company did not directly infringe Akamai's '703 patent and upheld the trial court's decision to vacate the original jury's damages award. The Court of Appeals also held that the Company did not infringe Akamai's '413 or '645 patents. A slim majority in this three-way divided opinion also announced a revised legal theory of induced infringement, remanded the case to the trial court, and gave Akamai an opportunity for a new trial to attempt to prove that the Company induced its customers to infringe Akamai's patent under the Court of Appeals' new legal standard. On December 28, 2012, the Company filed a petition for writ of certiorari to the United States Supreme Court to appeal this sharply divided Court of Appeals decision and sought to stay any proceedings at the trial court until the Supreme Court rules on that petition. Akamai then filed a cross petition for consideration of the Court of Appeals standard for direct infringement followed by an opposition to the Company's petition. On January 10, 2014, the Supreme Court granted our petition for writ of certiorari and will hear argument in our case on April 30, 2014. The Company believes that the Court of Appeal's new induced infringement standard runs counter to the Patent Act and Supreme Court precedent, and it should be overturned by the Supreme Court.

Additionally, just as the Company has successfully shown that it does not directly infringe Akamai's patent, the Company firmly believes that it will ultimately be successful in showing that it does not infringe Akamai's patent

under the Court of Appeals majority's new induced infringement theory, and does not believe a loss is probable; therefore, no provision for this lawsuit is recorded in the consolidated financial statements.

In light of the status of the litigation, the Company believes that there is a reasonable possibility that it has incurred a loss related to the Akamai litigation. While the Company believes that there is a reasonable possibility that a loss has been incurred, the Company is not able to estimate a range of the loss due to the complexity and procedural status of the case. The Company will continue to vigorously defend against the allegation.

Legal and other expenses associated with this case have been significant. The Company includes these litigation expenses in general and administrative expenses as incurred, as reported in the consolidated statement of operations.

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Other Litigation

The Company is subject to various other legal proceedings and claims, either asserted or unasserted, arising in the ordinary course of business. While the outcome of these claims cannot be predicted with certainty, management does not believe the outcome of any of these matters will have a material adverse effect on the Company's business, financial position, results of operations, or cash flows. Litigation relating to the content delivery services industry is not uncommon, and the Company is, and from time to time has been, subject to such litigation. No assurances can be given with respect to the extent or outcome of any such litigation in the future.

Other Matters

The Company is subject to indirect taxation in various states and foreign jurisdictions. Laws and regulations that apply to communications and commerce conducted over the Internet are becoming more prevalent, both in the United States and internationally, and may impose additional burdens on the Company conducting business online or providing Internet-related services. Increased regulation could negatively affect the Company's business directly, as well as the businesses of its customers, which could reduce their demand for the Company's services. For example, tax authorities in various states and abroad may impose taxes on the Internet-related revenue the Company generates based on regulations currently being applied to similar but not directly comparable industries.

There are many transactions and calculations where the ultimate tax determination is uncertain. In addition, domestic and international taxation laws are subject to change. In the future, the Company may come under audit, which could result in changes to its tax estimates. The Company believes it maintains adequate tax reserves to offset potential liabilities that may arise upon audit. Although the Company believes its tax estimates and associated reserves are reasonable, the final determination of tax audits and any related litigation could be materially different than the amounts established for tax contingencies. To the extent these estimates ultimately prove to be inaccurate, the associated reserves would be adjusted, resulting in the recording of a benefit or expense in the period in which a change in estimate or a final determination is made.

14. Net Loss per Share

The Company calculates basic and diluted earnings per weighted average share based on net income (loss). The Company uses the weighted-average number of shares of common stock outstanding during the period for the computation of basic earnings per share. Diluted earnings per share include the dilutive effect of convertible stock options and restricted stock units in the weighted-average number of shares of common stock outstanding. Net income (loss) from continuing operations is utilized in determining whether potential shares of common stock are dilutive or anti-dilutive for purposes of computing diluted net income (loss) per share.

The following table sets forth the components used in the computation of basic and diluted net loss per share for the periods indicated (in thousands, except per share data):

| | 2013 | 2012 | 2011 |
|---|-------------|-------------|-------------|
| Net loss from continuing operations | \$(34,976) | \$(30,035) | \$(30,066) |
| Net (loss) income from discontinued operations | (426) | (2,861) | 4,778) |
| Net loss available to common stockholders | \$(35,402) | \$(32,896) | \$(25,288) |
| Basic weighted average outstanding shares of common stock | 96,851 | 101,283 | 109,236 |
| Basic weighted average outstanding shares of common stock | 96,851 | 101,283 | 109,236 |
| Dilutive effect of stock options and restricted stock units | — | — | — |
| Diluted weighted average outstanding shares of common stock | 96,851 | 101,283 | 109,236 |
| Basic and diluted income (loss) per share: | | | |
| Continuing operations | \$(0.36) | \$(0.30) | \$(0.28) |
| Discontinued operations | (0.01) | (0.02) | 0.05) |
| Basic and diluted net loss per share | \$(0.37) | \$(0.32) | \$(0.23) |

For the years ended December 31, 2013, 2012 and 2011, outstanding options and restricted stock units of approximately 1,986, 2,273 and 4,427, respectively, were excluded from the computation of diluted net loss per share because including them would have been anti-dilutive.

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15. Stockholders' Equity

Common Stock

The Company has had a share repurchase program since September 2011. The Company has repurchased shares of common stock from time to time through May 9, 2013. Through December 31, 2013, the Company has used a total of \$50,736, including commissions and expenses, to repurchase 19,990,423 shares at an average cost per share of \$2.55. All repurchased shares were cancelled and returned to authorized but unissued status.

In June 2013, the Company's stockholders approved the Company's 2013 Employee Stock Purchase Plan (ESPP). The ESPP allows participants to purchase the Company's common stock at a 15% discount of the lower of the beginning or end of the offering period using the closing price on that day. During the year ended December 31, 2013, the Company issued 135,271 shares under the ESPP. Total cash proceeds from the purchase of shares under the ESPP were approximately \$225. As of December 31, 2013, shares reserved for issuance to employees under this plan totaled 4,000,000 and the Company held employee contributions of approximately \$26 for future purchases under the ESPP. The ESPP is considered compensatory. The Company recorded compensation expense of \$57 during the year ended December 31, 2013 related to the ESPP.

During the year ended December 31, 2013, the Company issued 10,915 shares of its common stock in connection with the achievement of contingent consideration goals related to a previous acquisition.

The Company has reserved approximately 5,162,930 unissued shares of common stock for future options and restricted stock units under the incentive compensation plan.

Preferred Stock

The board of directors has authorized the issuance of up to 7,500,000 shares of preferred stock at December 31, 2013. The preferred stock may be issued in one or more series pursuant to a resolution or resolutions providing for such issuance duly adopted by the board of directors. As of December 31, 2013, the Board had not adopted any resolutions for the issuance of preferred stock.

16. Accumulated Other Comprehensive Loss

Changes in the components of accumulated other comprehensive loss, net of tax, for the years ended December 31, 2013 and 2012 was as follows:

| | Foreign Currency | | Unrealized Gains (Losses) on Available for Sale Securities | Total | |
|---|---------------------|---|---|----------|---|
| Balance, December 31, 2012 | \$(747 |) | \$38 | \$(709 |) |
| Other comprehensive loss before reclassifications | (941 |) | (13 | (954 |) |
| Amounts reclassified from accumulated other comprehensive income (loss) | — | | — | — | |
| Net current period other comprehensive loss | (941 |) | (13 | (954 |) |
| Balance, December 31, 2013 | \$(1,688 |) | \$25 | \$(1,663 |) |

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| | Foreign Currency | | Unrealized Gains (Losses) on Available for Sale Securities | Total | |
|---|---------------------|---|---|--------|---|
| Balance, December 31, 2011 | \$(575 |) | \$66 | \$(509 |) |
| Other comprehensive loss before reclassifications | (172 |) | (28 | (200 |) |
| Amounts reclassified from accumulated other comprehensive income (loss) | — | | — | — | |
| Net current period other comprehensive loss | (172 |) | (28 | (200 |) |
| Balance, December 31, 2012 | \$(747 |) | \$38 | \$(709 |) |

17. Share-Based Compensation

Incentive Compensation Plans

The Company maintains Incentive Compensation Plans (the Plans) to attract, motivate, retain, and reward high quality executives and other employees, officers, directors, and consultants by enabling such persons to acquire or increase a proprietary interest in the Company. The Plans are intended to be qualified plans under the Internal Revenue Code. The Plans allow the Company to award stock option grants and restricted stock units (RSUs) to employees, directors and consultants of the Company. During 2013, the Company granted awards to employees and directors. The exercise price of incentive stock options granted under the Plan may not be granted at less than 100% of the fair market value of the Company's common stock on the date of the grant.

Data pertaining to stock option activity under the Plans are as follows:

| | Number of Shares | Weighted Average Exercise Price |
|------------------------------|---------------------|--|
| | (In thousands) | |
| Balance at December 31, 2010 | 12,008 | \$4.94 |
| Granted | 4,675 | 5.68 |
| Exercised | (262 |) 2.30 |
| Cancelled | (3,073 |) 5.04 |
| Balance at December 31, 2011 | 13,348 | 5.23 |
| Granted | 2,972 | 2.40 |
| Exercised | (176 |) 1.08 |
| Cancelled | (1,834 |) 6.10 |
| Balance at December 31, 2012 | 14,310 | 4.58 |
| Granted | 4,902 | 2.19 |
| Exercised | (143 |) 0.26 |
| Cancelled | (3,087 |) 3.87 |
| Balance at December 31, 2013 | 15,982 | 4.00 |

The following table summarizes the information about stock options outstanding and exercisable at December 31, 2013:

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| Options Outstanding | Exercise Price | Number of Options Outstanding (In thousands) | Weighted Average Remaining Contractual Life (Years) | Weighted Average Exercise Price | Options Exercisable | |
|---------------------|--------------------|---|---|--|---|--|
| | | | | | Number of Options Exercisable (In thousands) | Weighted Average Exercise Price |
| | \$ 0.00 — \$ 1.50 | 569 | 2.2 | \$0.36 | 569 | \$0.36 |
| | \$ 1.51 — \$ 3.00 | 6,661 | 8.4 | 2.17 | 1,606 | 2.11 |
| | \$ 3.01 — \$ 4.50 | 3,640 | 5.4 | 3.77 | 3,269 | 3.76 |
| | \$ 4.51 — \$ 6.00 | 2,070 | 5.9 | 5.18 | 1,700 | 5.13 |
| | \$ 6.01 — \$ 7.50 | 1,759 | 3.4 | 6.46 | 1,685 | 6.46 |
| | \$ 7.51 — \$ 15.00 | 1,283 | 3.9 | 10.56 | 1,155 | 10.83 |
| | | 15,982 | | | 9,984 | |

The weighted-average grant-date fair value of options granted during the years ended December 31, 2013, 2012, and 2011 on a per-share basis was approximately \$1.48, \$1.60, and \$3.70, respectively. The total intrinsic value of the options exercised during the years ended December 31, 2013, 2012, and 2011 was approximately \$265, \$309, and \$801, respectively. The aggregate intrinsic value of options outstanding at December 31, 2013 is approximately \$1,113. The weighted average remaining contractual term of options currently exercisable at December 31, 2013 was 4.8 years.

The Company measures all employee share-based payment awards using a fair-value method. The grant date fair value is determined using the Black-Scholes-Merton pricing model. The Black-Scholes-Merton valuation calculation requires the Company to make key assumptions such as future stock price volatility, expected terms, risk-free rates, and dividend yield. The Company's expected volatility is derived from its own volatility rate as a publicly traded company and historical volatilities of similar public companies within the Internet services and network industry. Each company's historical volatility is weighted based on certain qualitative factors and combined to produce a single volatility factor used by the Company. For most of 2013, the Company did not have enough historical experience as a public company to provide a reasonable estimate of the expected term; therefore, expected term was calculated using the "short-cut" method, which takes into consideration the grant's contractual life and the vesting periods. As of December 31, 2013, the Company's expected term is based on its historical experience. The risk-free interest factor is based on the United States Treasury yield curve in effect at the time of the grant for zero coupon United States Treasury notes with maturities of approximately equal to each grant's expected term. The Company estimates its forfeiture rate based on an analysis of its actual forfeitures and will continue to evaluate the adequacy of the forfeiture rate based on actual forfeiture experience, analysis of employee turnover behavior, and other factors. Any impact from a forfeiture rate adjustment will be recognized in full in the period of the adjustment.

The fair value of each new option awarded is estimated on the grant date using the assumptions noted in the following table:

| | Years Ended December 31, | | | |
|----------------------|--------------------------|---------|---------|---|
| | 2013 | 2012 | 2011 | |
| Expected volatility | 77.96 | % 78.10 | % 72.25 | % |
| Expected term, years | 6.05 | 5.88 | 6.08 | |
| Risk-free interest | 1.31 | % 0.91 | % 2.14 | % |
| Expected dividends | — | % — | % — | % |

Unrecognized share-based compensation related to stock options totaled \$8,186 at December 31, 2013. The Company expects to amortize unvested stock compensation related to stock options over a weighted average period of approximately 2.5 years at December 31, 2013.

During the years ended December 31, 2013, 2012, and 2011, the Company recorded share-based compensation related to stock options of approximately \$6,617, \$7,426, and \$9,568, respectively.

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The following table summarizes the different types of RSUs outstanding (in thousands):

| | Years Ended December 31, | | |
|--|--------------------------|-------|-------|
| | 2013 | 2012 | 2011 |
| RSUs with service-based vesting conditions | 5,286 | 4,232 | 3,392 |
| Performance-based RSUs | — | 349 | 459 |
| Unvested RSUs | 5,286 | 4,581 | 3,851 |

Each RSU represents the right to receive one share of the Company's common stock upon vesting. The fair value of these RSUs was calculated based upon the Company's closing stock price on the date of grant.

Data pertaining to RSUs activity under the Plans is as follows:

| | Number of Units | Weighted Average Fair Value |
|------------------------------|--------------------|-----------------------------------|
| | (In thousands) | |
| Balance at December 31, 2010 | 2,627 | \$4.31 |
| Granted | 2,829 | 3.32 |
| Vested | (986) |) 4.09 |
| Cancelled | (619) |) 4.04 |
| Balance at December 31, 2011 | 3,851 | 3.66 |
| Granted | 4,085 | 2.37 |
| Vested | (2,450) |) 2.68 |
| Cancelled | (905) |) 3.17 |
| Balance at December 31, 2012 | 4,581 | 2.74 |
| Granted | 4,970 | 2.15 |
| Vested | (2,032) |) 2.53 |
| Cancelled | (2,233) |) 2.78 |
| Balance at December 31, 2013 | 5,286 | 2.24 |

The weighted-average grant-date fair value of RSUs granted during the years ended December 31, 2013, 2012, and 2011 was approximately \$2.15, \$2.37, and \$3.32, respectively. The total intrinsic value of the units vested during the years ended December 31, 2013, 2012, and 2011 was approximately \$5,117, \$5,400, and \$2,900, respectively. The aggregate intrinsic value of RSUs outstanding at December 31, 2013 is \$10,467.

Share-based payment compensation related to all restricted stock awards and RSUs for the years ended December 31, 2013, 2012, and 2011 was approximately \$5,671, \$7,049, and \$6,313, respectively. At December 31, 2013 there was approximately \$8,788 of total unrecognized compensation costs related to RSUs. That cost is expected to be recognized over a weighted-average period of approximately 2.55 years as of December 31, 2013.

The Company applies the straight-line attribution method to recognize compensation costs associated with awards that are not subject to graded vesting. For awards that are subject to graded vesting and performance based awards, the Company recognizes compensation costs separately for each vesting tranche. The Company also estimates when and if performance-based awards will be earned. If an award is not considered probable of being earned, no amount of stock-based compensation is recognized. If the award is deemed probable of being earned, related compensation expense is recorded over the estimated service period. To the extent the Company's estimates of awards considered probable of being earned changes, the amount of stock-based compensation recognized will also change.

The Company recorded share-based compensation expense related to stock options, restricted stock and RSUs during the years ended December 31, 2013, 2012, and 2011 of approximately \$12,345, \$14,475, and \$15,881, respectively. Unrecognized share-based compensation expense totaled approximately \$16,974 at December 31, 2013, which is expected to be recognized over a weighted average period of approximately 2.53 years.

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The following table summarizes the components of share-based compensation expense included in the Company's consolidated statement of operations for the years ended December 31, 2013, 2012, and 2011:

| | Years Ended December 31, | | |
|---|--------------------------|----------|----------|
| | 2013 | 2012 | 2011 |
| Share-based compensation expense by type of award: | | | |
| Stock options | \$6,617 | \$7,426 | \$9,568 |
| Restricted stock units | 5,671 | 7,049 | 6,313 |
| Shares issued under the 2013 ESPP | 57 | — | — |
| Total share-based compensation expense | \$12,345 | \$14,475 | \$15,881 |
| Effect of share-based compensation expense on income by financial statement line: | | | |
| Cost of services | \$1,873 | \$2,117 | \$2,419 |
| General and administrative expense | 5,971 | 6,511 | 6,132 |
| Sales and marketing expense | 2,245 | 3,104 | 3,776 |
| Research and development expense | 2,256 | 2,743 | 3,554 |
| Total cost related to share-based compensation expense | \$12,345 | \$14,475 | \$15,881 |

18. Related Party Transactions

In July 2006, an aggregate of 39,869,960 shares of Series B Preferred Stock was issued at a purchase price of \$3.26 per share to certain accredited investors in a private placement transaction. As a result of this transaction, entities affiliated with Goldman, Sachs & Co., one of the lead underwriters of the Company's initial public offering (IPO), became holders of more than 10% of the Company's common stock. On June 14, 2007, upon the closing of the Company's IPO, all outstanding shares of the Company's Series B Preferred Stock automatically converted into shares of common stock on a 1-for-1 share basis. As of December 31, 2013, 2012, and 2011, Goldman, Sachs & Co. owned approximately 31%, 31%, and 29%, respectively, of the Company's outstanding common stock.

The Company leased office space to an entity in which current members of its board of directors have an ownership interest. During the years ended December 31, 2012 and 2011, the Company invoiced and collected approximately \$16 and \$71, respectively, in office space rental from this entity.

The Company sells services to entities owned, in whole or in part, by certain of the Company's executive officers and directors. Revenue derived from related parties was approximately 1% for the years ended December 31, 2013, 2012, and 2011 respectively. Total outstanding accounts receivable from all related parties as of December 31, 2013, 2012 and 2011 was approximately \$7, \$1,300 and \$400, respectively.

During 2013, the Company entered into an agreement for services with an entity in which a current member of its board of directors is an officer. During 2013, the Company incurred approximately \$154 in expense for services rendered.

19. Leases and Commitments**Operating Leases**

The Company is committed to various non-cancellable operating leases for office space and office equipment which expire through 2022. Certain leases contain provisions for renewal options and rent escalations upon expiration of the initial lease terms. Approximate future minimum lease payments over the remaining lease periods as of December 31, 2013 are as follows:

| | |
|------------------------|----------|
| 2014 | \$3,887 |
| 2015 | 3,242 |
| 2016 | 2,621 |
| 2017 | 2,213 |
| 2018 and thereafter | 3,387 |
| Total minimum payments | \$15,350 |
| Purchase Commitments | |

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The Company has long-term commitments for bandwidth usage and co-location with various networks and ISPs. The following summarizes minimum commitments as of December 31, 2013:

| | |
|------------------------|----------|
| 2014 | \$32,728 |
| 2015 | 18,674 |
| 2016 | 4,831 |
| 2017 | 873 |
| 2018 and thereafter | 382 |
| Total minimum payments | \$57,488 |

Rent and operating expense relating to these operating lease agreements and bandwidth and co-location agreements was approximately \$61,693, \$58,818, and \$60,140, respectively, for the years ended December 31, 2013, 2012, and 2011.

Capital Leases

The Company leases equipment under capital lease agreements which extend through 2016. As of December 31, 2013 and 2012, the outstanding balance for capital leases was approximately \$824 and \$2,125, respectively. The Company recorded assets under capital lease obligations of approximately \$2,312 and \$5,100, respectively, as of December 31, 2013 and 2012. Related accumulated amortization totaled approximately \$1,878 and \$2,900, respectively as of December 31, 2013 and 2012. The assets acquired under capital leases and related accumulated amortization is included in property and equipment, net in the consolidated balance sheets. The related amortization is included in depreciation and amortization expense in the Consolidated Statements of Operations. The average interest rate on the Company's outstanding capital leases at December 31, 2013 was approximately six percent. Interest expense related to capital leases was approximately \$76, \$170, and \$186, respectively, for the years ended December 31, 2013, 2012, and 2011.

Future minimum capital lease payments at December 31, 2013 were as follows (in thousands):

| | |
|---|-------|
| 2014 | \$498 |
| 2015 | 238 |
| 2016 | 133 |
| 2017 | 5 |
| 2018 and thereafter | — |
| Total | 874 |
| Amounts representing interest | (50) |
| Present value of minimum lease payments | \$824 |

20. Concentrations

For each of the years ended December 31, 2013, 2012, and 2011, Netflix, Inc. represented approximately 11% of the Company's total revenue.

Revenue from sources outside America totaled approximately \$55,020, \$54,636, and \$51,427, respectively, for the years ended December 31, 2013, 2012, and 2011.

During the years ended December 31, 2013 and 2011, the Company had no single country outside of the United States that accounted for 10% or more of the Company's total revenues. During the year ended December 31, 2012, the Company had two countries, Japan and the United States, which accounted for 10% or more of the Company's total revenues.

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21. Income Taxes

The Company's loss from continuing operations before income taxes consists of the following (in thousands):

| | Years Ended December 31, | | |
|------------------------------------|--------------------------|--------------|--------------|
| | 2013 | 2012 | 2011 |
| (Loss) income before income taxes: | | | |
| United States | \$ (34,789) | \$ (29,991) | \$ (30,438) |
| Foreign | 200 | 437 | (1,866) |
| | \$ (34,589) | \$ (29,554) | \$ (32,304) |

The components of the provision (benefit) for income taxes are as follows (in thousands):

| | Years Ended December 31, | | |
|---------------------------|--------------------------|-------|-------------|
| | 2013 | 2012 | 2011 |
| Current: | | | |
| Federal | \$— | \$— | \$— |
| State | 80 | (20) | 198 |
| Foreign | 442 | 558 | 550 |
| Total current | 522 | 538 | 748 |
| Deferred: | | | |
| Federal | 16 | 16 | (2,571) |
| State | — | — | — |
| Foreign | (151) | (73) | (415) |
| Total deferred | (135) | (57) | (2,986) |
| Total (benefit) provision | \$387 | \$481 | \$ (2,238) |

A reconciliation of the U.S. federal statutory rate to the Company's effective income tax rate is shown in the table below (in thousands, except percent):

| | Years Ended December 31, | | | | | |
|---|--------------------------|---------|--------------|---------|--------------|---------|
| | 2013 | | 2012 | | 2011 | |
| | Amount | Percent | Amount | Percent | Amount | Percent |
| U.S. federal statutory tax rate | \$ (12,106) | 35 % | \$ (10,344) | 35 % | \$ (11,306) | 35 % |
| Impact related to sale of discontinued operations | — | — % | — | — % | 7,893 | (24)% |
| Valuation allowance | 12,958 | (37)% | 10,329 | (35)% | 52 | — % |
| Foreign income taxes | 221 | (1)% | 351 | (1)% | 797 | (3)% |
| State income taxes | 80 | — % | (20) | — % | 198 | (1)% |
| Non-deductible expenses | (783) | 2 % | 168 | (1)% | 136 | — % |
| Uncertain tax positions | 14 | — % | (18) | — % | (9) | — % |
| Share-based compensation | — | — % | — | — % | — | — % |
| Other | 3 | — % | 15 | — % | 1 | — % |
| Provision for (benefit from) income taxes | \$387 | (1)% | \$481 | (2)% | \$ (2,238) | 7 % |

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purpose. Significant components of the

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Company's deferred tax assets and liabilities are as follows (in thousands):

| | December 31, | |
|--|--------------|-----------|
| | 2013 | 2012 |
| Deferred tax assets: | | |
| Share-based compensation | \$12,797 | \$12,506 |
| Net operating loss and tax credit carry-forwards | 26,991 | 27,484 |
| Deferred revenue | 2,808 | 3,984 |
| Accounts receivable reserves | 537 | 1,281 |
| Fixed assets | 5,751 | 4,904 |
| Other | 1,209 | 921 |
| Total deferred tax assets | 50,093 | 51,080 |
| Deferred tax liabilities: | | |
| Intangible assets | (738 |) (2,103 |
| Prepaid expenses | (164 |) (187 |
| Other | (65 |) (160 |
| Total deferred tax liabilities | (967 |) (2,450 |
| Valuation allowance | (48,047 |) (46,215 |
| Net deferred tax assets (liabilities) | \$1,079 | \$2,415 |

In addition to the deferred tax assets listed in the table above, the Company has unrecorded tax benefits of \$10,350 and \$10,000 at December 31, 2013 and December 31, 2012, respectively, primarily attributable to the difference between the amount of the financial statement expense and the allowable tax deduction associated with employee stock options and restricted stock units, which, if subsequently realized will be recorded to contributed capital. As a result of net operating loss carryforwards, the Company was not able to recognize the excess tax benefits of stock option deductions because the deductions did not reduce income tax payable. Although not recognized for financial reporting purposes, this unrecorded tax benefit is available to reduce future income and is incorporated into the disclosed amounts of the Company's federal and state NOL carryforwards, discussed below.

The federal and state net operating loss carryforwards relate to prior years' NOLs, which may be used to reduce tax liabilities in future years. At December 31, 2013, the Company had \$79,300 federal and \$59,200 state net operating loss carryforwards, including the NOLs discussed in the preceding paragraph. The Company's federal net operating losses will begin to expire in 2019 and the state net operating loss carryforwards will begin to expire in 2014. Pursuant to Sections 382 and 383 of the Internal Revenue Code, the utilization of NOLs and other tax attributes may be subject to substantial limitations if certain ownership changes occur during a three-year testing period (as defined by the Internal Revenue Code). At December 31, 2013 the Company had state tax credit carryforwards of \$340, which will expire at various dates beginning in 2014. At December 31, 2013 the Company had federal tax credit carryforwards of \$300, which will expire at various dates beginning in 2026.

The Company reduces the carrying amounts of deferred tax assets by a valuation allowance, if based on the evidence available, it is more-likely-than-not that such assets will not be realized. In making the assessment under the more-likely-than-not standard, appropriate consideration must be given to all positive and negative evidence related to the realization of the deferred tax assets. This assessment considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of future profitability, the duration of statutory carry-forward periods by jurisdiction, unitary versus stand-alone state tax filings, the Company's experience with loss carryforwards not expiring unutilized, and all tax planning alternatives that may be available.

A valuation allowance has been recorded against the Company's deferred tax assets, with the exception of deferred tax assets at certain foreign subsidiaries as management cannot conclude that it is more-likely-than-not that these assets will be realized. As of December 31, 2012, no valuation allowance was provided on \$1,600 of deferred tax assets associated with certain net operating losses because it was believed that they will be used to offset the Company's liabilities relating to its uncertain tax positions. In July 2013, the FASB issued ASU 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (Topic 740). ASU 2013-11 requires that unrecognized tax benefits be presented in the financial

statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except in certain circumstances. When those circumstances exist, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with

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deferred tax assets. The company has analyzed the guidance under ASU 2013-11 and determined that due to the Company's NOL position, the unrecognized tax benefits of \$1,600 associated with certain net operating losses should be presented in the December 31, 2013 financial statements as a reduction to the deferred tax assets for the net operating loss carryforward.

The Company has certain taxable temporary differences related to intangible assets that cannot be offset by existing deductible temporary differences resulting in a deferred tax liability of approximately \$250 and \$400 as of December 31, 2013 and 2012, respectively.

A summary of the activities associated with the Company's reserve for unrecognized tax benefits, interest and penalties follow (in thousands):

| | Unrecognized Tax Benefits |
|---|------------------------------|
| Balance at January 1, 2012 | \$39 |
| Additions for tax positions related to current year | 1,718 |
| Settlements | — |
| Reduction for tax positions of prior years | — |
| Balance at December 31, 2012 | 1,757 |
| Additions for tax positions related to current year | — |
| Settlements | — |
| Reduction for tax positions of prior years | — |
| Balance at December 31, 2013 | \$1,757 |

The Company recognizes interest and penalties related to unrecognized tax benefits in its tax provision. As of December 31, 2013, the Company had an interest and penalties accrual related to unrecognized tax benefits of \$94, which decreased during 2013 by \$14. The Company anticipates its unrecognized tax benefits may increase or decrease within twelve months of the reporting date, as audits or reviews are initiated or settled and as a result of settled potential tax liabilities in certain foreign jurisdictions. It is not currently reasonably possible to estimate the range of change.

The Company files income tax returns in jurisdictions with varying statutes of limitations. Tax years 2009 through 2012 generally remain subject to examination by federal and most state tax authorities. As of December 31, 2013, the Company is not under any federal or state examinations.

Income taxes have not been provided on a portion of the undistributed earnings of the Company's foreign subsidiaries over which the Company had sufficient influence to control the distribution of such earnings and had determined that substantially all of such earnings were reinvested indefinitely. The undistributed earnings of the Company's foreign subsidiaries were approximately \$1,600 at December 31, 2013. These earnings could become subject to either or both federal income tax and foreign withholding tax if they are remitted as dividends, if foreign earnings are loaned to any of the Company's domestic subsidiaries, or if the Company sells its investment in such subsidiaries.

22. 401(k) Plan

The Company manages the Limelight Networks 401(k) Plan covering effectively all employees of the Company. The plan is a 401(k) profit sharing plan in which participating employees are fully vested in any contributions they make. The Company will match employee deferrals as follows: a dollar-for-dollar match on eligible employee's deferral that does not exceed 3% of compensation for the year and a 50% match on the next 2% of the employee deferrals.

Company employees may elect to reduce their current compensation up to the statutory limit. The Company made matching contributions of approximately \$1,196, \$1,101, and \$918 during the years ended December 31, 2013, 2012, and 2011, respectively.

23. Segment Reporting

The Company operates in one industry segment — content delivery and related services. The Company operates in three geographic areas — Americas, Europe, Middle East and Africa (EMEA) and Asia Pacific.

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision making group, in deciding how to allocate resources and in assessing performance. The Company's chief operating decision maker is its Chief Executive

Officer. The Company's Chief Executive Officer reviews financial information presented on a consolidated basis for purposes of allocating resources and evaluating financial performance. The Company has one business activity and there are no segment managers

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who are held accountable for operations, operating results and plans for products or components below the consolidated unit level. Accordingly, the Company reports as a single operating segment.

Revenue by geography is based on the location of the customer from which the revenue is earned. The following table sets forth revenue and long-lived assets by geographic area:

| | Years Ended December 31, | | |
|---------------|--------------------------|------------|------------|
| | 2013 | 2012 | 2011 |
| Revenue | | | |
| Americas | \$ 118,413 | \$ 125,600 | \$ 119,865 |
| EMEA | 31,401 | 30,898 | 31,697 |
| Asia Pacific | 23,619 | 23,738 | 19,730 |
| Total revenue | \$ 173,433 | \$ 180,236 | \$ 171,292 |

For the year ended December 31, 2013, the Company made reclassifications to certain customers within our geographic regions. This was primarily the result of customers relocating from one geographic region to another geographic region. For all periods presented, customers are reported in their new geographic region. The impact of the customer reclassifications from previously reported amounts were as follows. For the year ended December 31, 2012, Americas increased \$1,734, EMEA increased \$4,422, and Asia Pacific decreased \$6,156. For the year ended December 31, 2011, Americas increased \$567, EMEA increased \$5,729, and Asia Pacific decreased \$6,296. The following table sets forth long-lived assets by geographic area:

| | Years Ended December 31, | | |
|-------------------------|--------------------------|----------|----------|
| | 2013 | 2012 | 2011 |
| Long-lived Assets | | | |
| Americas | \$26,502 | \$36,513 | \$51,478 |
| International | 8,757 | 11,125 | 14,097 |
| Total long-lived assets | \$35,259 | \$47,638 | \$65,575 |

Approximately \$1,195 and \$1,647, respectively, of long-lived assets at December 31, 2012 and 2011, has been reclassified to Americas from International.

24. Fair Value Measurements

The Company evaluates certain of its financial instruments within the three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

Level 1 — defined as observable inputs such as quoted prices in active markets;

Level 2 — defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and

Level 3 — defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

As of December 31, 2013 and 2012, the Company held certain assets and liabilities that were required to be measured at fair value on a recurring basis. These include money market funds, commercial paper, corporate notes and bonds, U.S. government agency bonds, and publicly traded stocks, which are classified as either cash and cash equivalents or marketable securities.

The Company's financial assets are valued using market prices on both active markets (level 1) and less active markets (level 2). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. Level 2 instrument valuations are obtained from readily available pricing sources for comparable instruments or identical instruments in less active markets. Level 3 inputs are valued using models that take into account the terms of the arrangement as well as multiple inputs where applicable, such as estimated units sold and other customer utilization metrics.

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The following is a summary of fair value measurements at December 31, 2013:

| Description | Total | Fair Value Measurements at Reporting Date Using | | |
|-------------------------------------|----------|---|---|--|
| | | Quoted Prices In Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets: | | | | |
| Government agency bonds (1) | \$261 | \$— | \$261 | \$— |
| Money market funds (2) | 9,740 | 9,740 | — | — |
| Corporate notes and bonds (1) | 26,009 | — | 26,009 | — |
| Commercial paper (1) | 2,200 | — | 2,200 | — |
| Certificate of deposit (1) | 4,076 | — | 4,076 | — |
| Publicly traded common stock (1) | 6 | 6 | — | — |
| Total assets measured at fair value | \$42,292 | \$9,746 | \$32,546 | \$— |

(1) Classified in marketable securities

(2) Classified in cash and cash equivalents

For the year ended December 31, 2013, unrealized gains and losses for marketable securities are included in other comprehensive income and expense. For the year ended December 31, 2013, the Company had net unrealized losses of approximately \$13.

The following is a summary of fair value measurements at December 31, 2012:

| Description | Total | Fair Value Measurements at Reporting Date Using | | |
|-------------------------------------|----------|---|---|--|
| | | Quoted Prices In Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets: | | | | |
| Government agency bonds (1) | \$6,270 | \$— | \$6,270 | \$— |
| Money market funds (2) | 14,697 | 14,697 | — | — |
| Corporate notes and bonds (1) | 9,529 | — | 9,529 | — |
| Commercial paper (1) | 500 | — | 500 | — |
| Certificate of deposit (1) | 2,741 | — | 2,741 | — |
| Publicly traded common stock (1) | 18 | 18 | — | — |
| Total assets measured at fair value | \$33,755 | \$14,715 | \$19,040 | \$— |

(1) Classified in marketable securities

(2) Classified in cash and cash equivalents

For the year ended December 31, 2012, unrealized gains and losses for marketable securities are included in other comprehensive income and expense. For the year ended December 31, 2012, the Company had net unrealized losses of approximately \$28.

The carrying amount of cash equivalents approximates fair value because their maturity is less than three months. The carrying amount of short-term and long-term marketable securities approximates fair value as the securities are marked to market as of each balance sheet date with any unrealized gains and losses reported in stockholders' equity. The carrying amount of accounts receivable, accounts payable and accrued liabilities approximates fair value

due to the short-term maturity of the amounts.

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25. Quarterly Financial Results (unaudited)

The following table sets forth certain unaudited quarterly results of operations of the Company for the years ended December 31, 2013 and 2012. The information for the March 31, June 30 and September 30, 2013 quarters and each of the quarters in the year ended December 31, 2012 have been revised to reclassify certain amounts to cost of revenues, research and development and sales and marketing expenses. These costs were previously reported in general and administrative expenses.

In the opinion of management, this information has been prepared on the same basis as the audited consolidated financial statements and all necessary adjustments, consisting only of normal recurring adjustments, have been included in the amounts below for a fair statement of the quarterly information when read in conjunction with the audited consolidated financial statements and related notes included elsewhere in this annual report on Form 10-K (in thousands, except per share data):

| | For the Three Months Ended | | | |
|---|----------------------------|------------------|-------------------|----------------------|
| | March 31, 2013 | June 30, 2013 | Sept. 30, 2013 | Dec. 31, 2013 (a) |
| Revenues | \$45,813 | \$42,763 | \$42,656 | \$42,200 |
| Gross profit (c) | \$16,777 | \$14,417 | \$15,240 | \$15,275 |
| Net loss from continuing operations | \$(8,136) | \$(11,233) | \$(10,903) | \$(4,704) |
| Net loss from discontinued operations | \$— | \$— | \$(15) | \$(411) |
| Net loss | \$(8,136) | \$(11,233) | \$(10,918) | \$(5,115) |
| Basic and diluted net loss per share from continuing operations | \$(0.08) | \$(0.12) | \$(0.11) | \$(0.05) |
| Basic and diluted net loss per share from discontinued operations | \$— | \$— | \$— | \$— |
| Basic and diluted net loss per share | \$(0.08) | \$(0.12) | \$(0.11) | \$(0.05) |
| Basic and diluted weighted average common shares outstanding | 96,818 | 96,257 | 96,949 | 97,380 |

(a) See discussion of sale of Clickability in Note 4.

| | For the Three Months Ended | | | |
|--|----------------------------|------------------|-----------------------|------------------|
| | March 31, 2012 | June 30, 2012 | Sept. 30, 2012 (b) | Dec. 31, 2012 |
| Revenues | \$44,316 | \$44,447 | \$45,001 | \$46,471 |
| Gross profit (c) | \$16,596 | \$16,517 | \$16,309 | \$17,596 |
| Net loss from continuing operations | \$(9,697) | \$(9,437) | \$(610) | \$(10,291) |
| Net (loss) income from discontinued operations | \$(309) | \$(391) | \$(218) | \$(1,943) |
| Net (loss) income | \$(10,006) | \$(9,828) | \$(828) | \$(12,234) |
| Basic and diluted net loss per share from continuing operations | \$(0.09) | \$(0.10) | \$(0.01) | \$(0.10) |
| Basic and diluted net (loss) income per share from discontinued operations | \$(0.01) | \$— | \$— | \$(0.02) |
| Basic and diluted net (loss) income per share | \$(0.10) | \$(0.10) | \$(0.01) | \$(0.12) |
| Basic and diluted weighted average common shares outstanding | 104,226 | 102,783 | 99,359 | 98,765 |

(b) See discussion of sale of cost basis investment in Gaikai in Note 7.

(c) The table below reflects reclassifications made to gross profit for the applicable periods (See Note 2):

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Gross Profit

| Three Months Ended | As Reported | Reclassifications | As Revised |
|--------------------|----------------|-------------------|---------------|
| March 31, 2013 | \$17,081 | \$(304) |) \$16,777 |
| June 30, 2013 | \$14,773 | \$(356) |) \$14,417 |
| September 30, 2013 | \$15,605 | \$(365) |) \$15,240 |
| December 31, 2013 | \$15,275 | \$— |) \$15,275 |
| March 31, 2012 | \$16,986 | \$(390) |) \$16,596 |
| June 30, 2012 | \$16,884 | \$(367) |) \$16,517 |
| September 30, 2012 | \$16,718 | \$(409) |) \$16,309 |
| December 31, 2012 | \$17,933 | \$(337) |) \$17,596 |

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure
None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act, as of December 31, 2013. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of December 31, 2013.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2013 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. Our internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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Under the supervision of our Chief Executive Officer and Chief Financial Officer, our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2013. In making this assessment, management used the criteria set forth in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) (1992 framework). Based on this assessment, our management has concluded that our internal control over financial reporting was effective as of December 31, 2013.

Our financial statements included in this annual report on Form 10-K have been audited by Ernst & Young LLP, independent registered public accounting firm, as indicated in the following report. Ernst & Young LLP has also provided an attestation report on the Company's internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Limelight Networks, Inc.

We have audited Limelight Networks, Inc.'s internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (the COSO criteria). Limelight Networks, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Limelight Networks, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Limelight Networks, Inc. as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive loss, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2013 and our report dated February 20, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Phoenix, Arizona
February 20, 2014

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Item 9B. Other Information

None.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item relating to our directors and nominees is included under the captions “Proposal One: Election of Directors,” “— Information About the Directors and Nominees,” and “Board of Directors Meetings and Committees — Nominating and Governance Committee” in our Proxy Statement related to the 2014 Annual Meeting of Shareholders and is incorporated herein by reference.

The information required by this item regarding our Audit Committee is included under the caption “Board of Directors Meetings and Committees” in our Proxy Statement related to the 2014 Annual Meeting of Shareholders and is incorporated herein by reference.

The information required by this item relating to our executive officers is included under the caption “Executive Officers of the Registrant” in Part I of this annual report on Form 10-K.

The information required by this item regarding compliance with Section 16(a) of the Securities Act of 1934 is included under the caption “Executive Compensation and Other Matters — Section 16(a) Beneficial Ownership Reporting Compliance” in our Proxy Statement related to the 2014 Annual Meeting of Shareholders and is incorporated herein by reference.

We have adopted a code of ethics and business conduct that applies to our Chief Executive Officer, Chief Financial Officer and all other principal executive and senior financial officers and all employees, officers and directors. This code of ethics and business conduct is posted on our website. The Internet address for our website is www.limelight.com, and the code of ethics may be found from our main webpage by clicking first on “Company” and then on “Investors”, next on “Corporate Governance”, and finally on “Code of Ethics” under Governance Documents. We intend to satisfy any disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, a provision of this code of ethics by posting such information on our website, on the webpage found by clicking through to “Code of Ethics” as specified above.

Item 11. Executive Compensation

The information appearing under the headings “Executive Compensation and Other Matters,” “— Director Compensation,” “Board of Directors Meetings and Committees — Compensation Committee Interlocks and Insider Participation,” and “— Compensation Committee Report” in our Proxy Statement related to the 2014 Annual Meeting of Shareholders is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item relating to security ownership of certain beneficial owners and management is included under the heading “Security Ownership of Certain Beneficial Owners and Management” in our Proxy Statement related to the 2014 Annual Meeting of Shareholders, and is incorporated herein by reference.

Equity Compensation Plan Information

The following table provides information regarding our current equity compensation plans as of December 31, 2013 (shares in thousands):

| Plan category | Number of securities to be issued upon exercise of outstanding options, warrants and rights (a) | Weighted-average exercise price of outstanding options, warrants and rights (b) | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c) |
|--|---|---|---|
| Equity compensation plans approved by security holders | 15,982 | \$ 4.00 | 5,163 |
| Equity compensation plans not approved by security holders | — | — | — |

| | | | |
|-------|--------|---------|-------|
| Total | 15,982 | \$ 4.00 | 5,163 |
|-------|--------|---------|-------|

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Item 13. Certain Relationships, Related Transactions, and Director Independence

The information required by this item relating to review, approval or ratification of transactions with related persons is included under the heading “Certain Relationships and Related Transactions,” and the information required by this item relating to director independence is included under the headings “Proposal One: Election of Directors” and “Board of Directors Meetings and Committees — Board Independence,” in each case in our Proxy Statement related to the 2014 Annual Meeting of Shareholders, and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information required by this item is included under the headings “Audit Committee Report—Principal Accountant Fees and Services” and “— Audit Committee Pre-Approval Policy,” in each case in our Proxy Statement related to the 2014 Annual Meeting of Shareholders, and is incorporated herein by reference.

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PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) Documents included in this annual report on Form 10-K.

(1) Financial Statements. See Item 8 — Financial Statements and Supplementary Data included in this annual report on Form 10-K.

(2) Financial Schedules. The schedule listed below is filed as part of this annual report on Form 10-K:

| | |
|---|-----------|
| Schedule II — Valuation and Qualifying Accounts | Page |
| | <u>90</u> |

All other schedules are omitted as the information required is inapplicable or the information is presented in the consolidated financial statements and the related notes.

(b) Exhibits. The exhibits required by Item 601 of Regulation S-K are listed in the Exhibit Index immediately preceding the exhibits and are incorporated herein.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

LIMELIGHT NETWORKS, INC.

Date: February 20, 2014

By: /S/ PETER J. PERRONE
 Peter J. Perrone
 Senior Vice President,
 Chief Financial Officer and Treasurer
 (Principal Financial Officer)

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Robert A. Lento and Peter J. Perrone and each of them, each with the power of substitution, their attorney-in-fact, to sign any amendments to this Annual Report on Form 10-K (including post-effective amendments), and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or their substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| Signature | Title | Date |
|--|--|-------------------|
| /S/ ROBERT A. LENTO Robert A. Lento | President, Chief Executive Officer and Director (Principal Executive Officer) | February 20, 2014 |
| /S/ PETER J. PERRONE Peter J. Perrone | Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer) | February 20, 2014 |
| /S/ DANIEL R. BONCEL Daniel R. Boncel | Vice President, Finance (Principal Accounting Officer) | February 20, 2014 |
| /S/ WALTER D. AMARAL Walter D. Amaral | Non-Executive Chairman of the Board and Director | February 20, 2014 |
| /S/ THOMAS FALK Thomas Falk | Director | February 20, 2014 |
| /S/ JEFFREY T. FISHER Jeffrey T. Fisher | Director | February 20, 2014 |
| /S/ JOSEPH H. GLEBERMAN Joseph H. Gleberman | Director | February 20, 2014 |

/S/ FREDRIC W. HARMAN Director
Fredric W. Harman

February 20,
2014

/S/ DAVID C. PETERSCHMIDT Director
David C. Peterschmidt

February 20,
2014

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LIMELIGHT NETWORKS, INC.
 SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS
 (In thousands)

| Description | Balance at Beginning of Period | Additions Charged to Costs and Expenses | Charged Against Revenue | Deductions Write-Offs Net of Recoveries | Balance at End of Period |
|--|--------------------------------------|--|-------------------------------|--|-----------------------------|
| Year ended December 31, 2011: | | | | | |
| Allowances deducted from asset accounts: | | | | | |
| Reserves for accounts receivable | \$6,732 | 1,357 | (270 |) 3,428 | \$4,391 |
| Deferred tax asset valuation allowance | \$35,120 | 1,095 | — | — | \$36,215 |
| Year ended December 31, 2012: | | | | | |
| Allowances deducted from asset accounts: | | | | | |
| Reserves for accounts receivable | \$4,391 | 2,062 | (170 |) 2,213 | \$4,070 |
| Deferred tax asset valuation allowance | \$36,215 | 10,000 | — | — | \$46,215 |
| Year ended December 31, 2013: | | | | | |
| Allowances deducted from asset accounts: | | | | | |
| Reserves for accounts receivable | \$4,070 | 965 | (30 |) 2,995 | \$2,010 |
| Deferred tax asset valuation allowance | \$46,215 | 1,832 | — | — | \$48,047 |

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INDEX TO EXHIBITS

| Exhibit Number | Exhibit Title |
|----------------|---|
| 2.1(1) | Agreement and Plan of Merger by and among Registrant, Elvis Merger Sub One Corporation, Elvis Merger Sub Two LLC, EyeWonder, Inc., John J. Vincent, as Stockholder Representative and Deutsche Bank National Trust, as Escrow Agent, dated December 21, 2009. |
| 2.2(2) | Purchase Agreement dated as of August 30, 2011 by and among DG FastChannel, Inc., Limelight Networks, Inc. and Limelight Networks Germany GmbH. |
| 3.1(3) | Amended and Restated Certificate of Incorporation of the Registrant, as currently in effect. |
| 3.2(4) | Amended and Restated Bylaws of the Registrant, as currently in effect. |
| 4.1(5) | Specimen Common Stock Certificate of the Registrant. |
| 4.2(5) | Amended and Restated Investors' Rights Agreement dated July 12, 2006. |
| 10.1(5) | Form of Indemnification Agreement for directors and officers. |
| 10.2(5) | Amended and Restated 2003 Incentive Compensation Plan and form of agreement thereunder. |
| 10.3(5) | 2007 Equity Incentive Plan and form of agreement thereunder. |
| 10.4(5) | Employment Agreement between the Registrant and Jeffrey W. Lunsford dated October 20, 2006. |
| 10.4.01†(6) | Equity Award Amendment and Grant of Restricted Stock Units under the Registrant's 2007 Equity Incentive Plan dated November 25, 2008. |
| 10.4.02(7) | Amendment to Employment Agreement between the Registrant and Jeffrey W. Lunsford dated December 30, 2008. |
| 10.5†(8) | Bandwidth/Capacity Agreement between the Registrant and Global Crossing Bandwidth, Inc., dated August 29, 2001, and amendments thereto. |
| 10.5.01†(9) | Amendments to Bandwidth/Capacity Agreement between the Registrant and Global Crossing Bandwidth, Inc., dated August 29, 2001. |
| 10.5.02†(10) | Amendment #23 to Bandwidth/Capacity Agreement between the Registrant and Global Crossing Bandwidth, Inc., dated August 29, 2001, as amended. |
| 10.5.03†(11) | Amendment #24 to Bandwidth/Capacity Agreement between the Registrant and Global Crossing Bandwidth, Inc., dated August 29, 2001, as amended. |
| 10.6(12) | Form of At-Will Employment, Confidential Information, Invention Assignment, and Arbitration Agreement for officers and employees. |

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- 10.7(13) Employment Agreement between the Registrant and David M. Hatfield dated March 27, 2007.
- 10.7.01(14) Amendment to Employment Agreement between the Registrant and David M. Hatfield dated December 30, 2008.
- 10.8†(15) Edge Computing Network Service and License Agreement dated March 1, 2007 between the Registrant and Microsoft Corporation, and Addendum to the Edge Computing Network Service and License Agreement dated March 19, 2007.
- 10.8.01†(16) Amendment to Edge Computing Network Service and License Agreement between the Registrant and Microsoft Corporation dated October 1, 2008.
- 10.9(17) Employment Agreement between the Registrant and Philip C. Maynard effective October 22, 2007.
- 10.9.01(18) Amendment to Employment Agreement between the Registrant and Philip C. Maynard dated December 30, 2008.
- 10.10(19) Employment Agreement between the Registrant and Nathan F. Raciborski dated September 22, 2008.
- 10.10.01(20) Amendment to Employment Agreement between the Registrant and Nathan F. Raciborski dated December 30, 2008.
- 10.10.02(21) Second Amendment to Employment Agreement between the Registrant and Nathan F. Raciborski dated April 9, 2013.

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| 10.11(22) | Employment Agreement between the Registrant and Douglas S. Lindroth dated October 14, 2008. |
| 10.11.01(23) | Amendment to Employment Agreement between the Registrant and Douglas S. Lindroth dated December 30, 2008. |
| 10.11.02(24) | Second Amendment to Employment Agreement between the Registrant and Douglas S. Lindroth dated December 3, 2012. |
| 10.11.03(25) | Transition Agreement and Employment Agreement Amendment between the Registrant and Douglas S. Lindroth dated July 19, 2013. |
| 10.12(26) | Master Executive Bonus and Management Bonus Plan. |
| 10.13(27) | Form of 2007 Equity Incentive Plan Restricted Stock Unit Agreement. |
| 10.14(28) | Form of 2007 Equity Incentive Plan Restricted Stock Unit Agreement for Non-U.S. Employees. |
| 10.15(29) | European Expansion Consulting Agreement among the Registrant, eValue AG and Thomas Falk dated April 13, 2010. |
| 10.16(30) | Non-Competition Agreement between the Registrant and Thomas Falk dated April 13, 2010. |
| 10.17(31) | Standard Office Lease between the Registrant and GateWay Tempe LLC dated as of July 20, 2010. |
| 10.18(32) | Employment Agreement between the Registrant and Charles Kirby Wadsworth dated June 22, 2012. |
| 10.19(33) | Employment Agreement between the Registrant and Indu Kodukula dated October 8, 2012. |
| 10.20(34) | Interim CEO Employment Agreement between the Registrant and Robert A. Lento dated November 8, 2012. |
| 10.21(35) | Employment Agreement between the Registrant and Robert A. Lento dated January 22, 2013. |
| 10.22(36) | Employment Agreement between the Registrant and George Vonderhaar dated January 22, 2013. |
| 10.23(37) | Limelight networks, Inc. 2013 Employee Stock Purchase Plan. |
| 10.24(38) | Employment Agreement between the Registrant and Peter J. Perrone dated July 23, 2013. |
| 21.1 | List of subsidiaries of the Registrant. |
| 23.1 | Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm. |
| 24.1 | Power of Attorney (See signature page). |
| 31.1 | Certification of Chief Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |

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|---------|---|
| 31.2 | Certification of Chief Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1* | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2* | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS | XBRL INSTANCE DOCUMENT. |
| 101.SCH | XBRL TAXONOMY EXTENSION SCHEMA DOCUMENT. |
| 101.CAL | XBRL TAXONOMY EXTENSION CALCULATION LINKBASE DOCUMENT. |
| 101.DEF | XBRL TAXONOMY EXTENSION DEFINITION LINKBASE DOCUMENT. |
| 101.LAB | XBRL TAXONOMY EXTENSION LABEL LINKBASE DOCUMENT. |
| 101.PRE | XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE DOCUMENT. |

(1) Incorporated by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K filed on December 21, 2009.

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- (2) Incorporated by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K filed on September 6, 2011.
- (3) Incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed on June 14, 2011.
- (4) Incorporated by reference to Exhibit 3.2 of the Registrant's Form 8-K filed on February 29, 2013.
- (5) Incorporated by reference to the same number exhibit of the Registrant's Form S-1 Registration Statement (Registration No. 333-141516), declared effective by the Securities and Exchange Commission on June 7, 2007.
- (6) Incorporated by reference to Exhibit 99.1 of the Registrant's Current Report on Form 8-K filed on November 26, 2008.
- (7) Incorporated by reference to Exhibit 99.1 of the Registrant's Current Report on Form 8-K filed on December 31, 2008.
- (8) Incorporated by reference to Exhibit 10.10 of the Registrant's Form S-1 Registration Statement (Registration No. 333-141516), declared effective by the Securities and Exchange Commission on June 7, 2007.
- (9) Incorporated by reference to Exhibit 10.10.01 of the Registrant's Quarterly Report on Form 10-Q filed on August 14, 2008.
- (10) Incorporated by reference to Exhibit 10.10.02 of the Registrant's Annual Report on Form 10-K filed on March 13, 2009.
- (11) Incorporated by reference to Exhibit 10.10.03 of the Registrant's Quarterly Report on Form 10-Q filed on November 6, 2009.
- (12) Incorporated by reference to Exhibit 10.12 of the Registrant's Form S-1 Registration Statement (Registration No. 333-141516), declared effective by the Securities and Exchange Commission on June 7, 2007.
- (13) Incorporated by reference to Exhibit 10.13 of the Registrant's Form S-1 Registration Statement (Registration No. 333-141516), declared effective by the Securities and Exchange Commission on June 7, 2007.
- (14) Incorporated by reference to Exhibit 99.6 of the Registrant's Current Report on Form 8-K filed on December 31, 2008.
- (15) Incorporated by reference to Exhibit 10.15 of the Registrant's Quarterly Report on Form 10-Q filed on November 14, 2007.
- (16) Incorporated by reference to Exhibit 10.15.01 of the Registrant's Quarterly Report on Form 10-Q filed on November 13, 2008.
- (17) Incorporated by reference to Exhibit 99.2 of the Registrant's Current Report on Form 8-K filed on November 13, 2007.
- (18) Incorporated by reference to Exhibit 99.7 of the Registrant's Current Report on Form 8-K filed on December 31, 2008.
- (19) Incorporated by reference to Exhibit 99.1 of the Registrant's Current Report on Form 8-K filed on September 23, 2008.
- (20) Incorporated by reference to Exhibit 99.2 of the Registrant's Current Report on Form 8-K filed on December 31, 2008.
- (21) Incorporated by reference to Exhibit 10.10.02 of the Registrant's Quarterly Report on Form 10-Q filed on May 10, 2013.
- (22) Incorporated by reference to Exhibit 99.1 of the Registrant's Current Report on Form 8-K filed on October 15, 2008.
- (23) Incorporated by reference to Exhibit 99.4 of the Registrant's Current Report on Form 8-K filed on December 31, 2008.
- (24) Incorporated by reference to Exhibit 10.11.02 of the Registrant's Annual Report on Form 10-K filed on March 1, 2013.
- (25) Incorporated by reference to Exhibit 10.11.03 of the Registrant's Quarterly Report on Form 10-Q filed on August 8, 2013.
- (26) Incorporated by reference to Exhibit 99.1 of the Registrant's Current Report on Form 8-K filed on May 19, 2009.
- (27) Incorporated by reference to Exhibit (a)(1)(I) of the Registrant's Schedule TO filed on May 15, 2008.
- (28) Incorporated by reference to Exhibit (a)(1)(J) of the Registrant's Schedule TO filed on May 15, 2008.

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- (29) Incorporated by reference to Exhibit 99.3 of the Registrant's Current Report on Form 8-K filed on May 6, 2010.
- (30) Incorporated by reference to Exhibit 99.4 of the Registrant's Current Report on Form 8-K filed on May 6, 2010.
- (31) Incorporated by reference to Exhibit 10.32 of the Registrant's Quarterly Report on Form 10-Q filed on November 5, 2010.
- (32) Incorporated by reference to Exhibit 10.29 of the Registrant's Quarterly Report on Form 10-Q filed on November 5, 2012.
- (33) Incorporated by reference to Exhibit 10.19 of the Registrant's Annual Report on Form 10-K filed on March 1, 2013.
- (34) Incorporated by reference to Exhibit 10.20 of the Registrant's Annual Report on Form 10-K filed on March 1, 2013.
- (35) Incorporated by reference to Exhibit 10.21 of the Registrant's Annual Report on Form 10-K filed on March 1, 2013.
- (36) Incorporated by reference to Exhibit 10.22 of the Registrant's Annual Report on Form 10-K filed on March 1, 2013.

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(37) Incorporated by reference to Exhibit 10.23 of the Registrant's Quarterly Report on Form 10-Q filed on August 8, 2013.

(38) Incorporated by reference to Exhibit 10.24 of the Registrant's Quarterly Report on Form 10-Q filed on August 8, 2013.

* This exhibit shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that Section, nor shall it be deemed incorporated by reference in any filings under the Securities Act of 1933 or the Securities Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language in any filings.

† Confidential treatment has been requested or granted for portions of this exhibit by the Securities and Exchange Commission.