ASHFORD HOSPITALITY TRUST INC
Form 8-K
September 19, 2006

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 8-K
CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
Date of Report (date of earliest event reported): September 15, 2006
ASHFORD HOSPITALITY TRUST, INC.
(Exact name of registrant as specified in its charter)

MARYLAND	001-31775	86-1062192
(State of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification Number)

14185 Dallas Parkway, Suite 1100 Dallas, Texas	75254
(Address of principal executive offices)	(Zip code)

Registrant s telephone number, including area code: (972) 490-9600

Check the appropriate box if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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ITEM 1.01. ENTRY INTO MATERIAL DEFINITIVE AGREEMENTS

On September 15, 2006, Ashford Hospitality Trust, Inc. (the Company) entered into a definitive agreement to acquire a seven-property, 2,004 room hotel portfolio for approximately $267.2 million in cash from a partnership of affiliates of Oak Hill Capital Partners, The Blackstone Group, and Interstate Hotels and Resorts (i.e., MIP BLOOMINGTON, LLC, MIP IOWA CITY, LLC, MIPS SAN DIEGO, LLC, MIP TRUMBULL, LLC, MIP ANCHORAGE, LLC, MIP WALNUT CREEK, LLC, each a Delaware limited liability company, and MIP PHILADELPHIA, LP, a Pennsylvania limited partnership).

The seven-property hotel portfolio consists of:

Sheraton Anchorage in Anchorage, AK

Hilton Minneapolis/St. Paul Airport in Bloomington, MN

Sheraton Iowa City in Iowa City, IA

Embassy Suites Philadelphia Airport in Philadelphia, PA

Sheraton San Diego Hotel, Mission Valley in San Diego, CA

Marriott Trumbull in Trumbull, CT

Embassy Suites Walnut Creek in Walnut Creek, CA

The acquisition is expected to close by early December 2006. The Company will operate the hotels under a long-term management agreement with an affiliate of Remington Lodging & Hospitality, which is an affiliate of the Company. The Company intends to fund the acquisition with proceeds from its July 2006 follow-on public offering and from borrowings.

The Company has deposited $20.0 million under the Purchase and Sale Agreement, and this deposit is non-refundable except (i) in the event of a default under the Purchase and Sale Agreement by the seller or (ii) as expressly provided in the Purchase and Sale Agreement. Consummation of the transaction is subject to closing conditions, and the Company s obligations under the Purchase and Sale Agreement are conditioned upon satisfaction of customary conditions precedent related to title of the property, performance of obligations, and similar matters. Accordingly, the Company can give no assurance that all or part of the transaction will be consummated or that, if consummated, it would follow all of the terms set forth in the agreements governing the transaction.

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ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS

Exhibits:

10.31 Purchase and Sale Agreement, dated September 15, 2006, between Ashford Hospitality Limited Partnership, a wholly-owned subsidiary of the Company, and a partnership of affiliates of Oak Hill Capital Partners, The Blackstone Group, and Interstate Hotels and Resorts.

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SIGNATURE

Pursuant to the requirements of Section 12 of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: September 19, 2006

ASHFORD HOSPITALITY TRUST, INC.

By: /s/ DAVID A. BROOKS

David A. Brooks
Chief Legal Officer

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%

4,373

2.4
%
Total research and development
$
24,075

12.3
%

$
25,342

13.7
%

Our research and development expense decreased in aggregate dollars and decreased as a percentage of total revenue for the year ended December 31, 2018, versus 2017. The decrease in aggregate dollars was primarily due to a decrease in payroll and related employee costs due to lower variable compensation and lower average salary expense. The increase in share-based compensation is primarily the result of converting a portion of our annual corporate incentive bonus program to Company stock instead of cash to align the goals of our employee compensation with that of our shareholders.

We expect our research and development expenses for 2019 to increase slightly in aggregate dollars compared to 2018, but remain consistent as a percentage of revenue.

Depreciation and Amortization (Operating Expenses)

Depreciation and amortization expense was $2,313, or 1.2% of revenue, for the year ended December 31, 2018, versus $2,376, or 1.3% of revenue for 2017. 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 $86 for the year ended December 31, 2018, versus $80 for 2017. This increase was due to fees associated with the Fourth Amendment (Fourth Amendment) to the Loan and Security Agreement (the Credit Agreement) with Silicon Valley Bank (SVB) originally entered into in November 2015. See Note 8 of Notes to Consolidated Financial Statements included in Part II, Item 8 of this annual report on Form 10-K for additional information related to our Credit Agreement.

Interest Income

Interest income was $670 for the year ended December 31, 2018 versus $494 for 2017. Interest income includes interest earned on invested cash balances and marketable securities.

Settlement and Patent License Income

On April 9, 2018, we entered into a definitive settlement and patent license agreement with Akamai in a separate matter where the parties agreed to (i) license certain patents to the other party, (ii) a covenant not to sue for three years for certain patents related to the licensed patents, and (iii) settle all outstanding legal disputes between the parties. The terms of the agreement also require Akamai to pay to Limelight a total of $14,900, over five equal quarterly installments. As of December 31, 2018, there remained $5,960 due from Akamai.

Other Income (Expense)

Other expense was $264 for the year ended December 31, 2018, versus other income of $452 for 2017. For the years ended December 31, 2018 and 2017, respectively, other income consisted primarily of foreign currency transaction gains and losses and the gain on sale of fixed assets.

Income Tax Expense

Income tax expense for the year ended December 31, 2018, was $538 versus $426 for 2017. Income tax expense on net income (loss) 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

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effective income tax rate is based primarily upon 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.
On December 22, 2017, the Tax Cuts and Jobs Act (the Tax Act) significantly revised the U.S. corporate income tax law, by among other things, reducing the corporate income tax rate to 21% for tax years beginning in 2018, implementing a modified territorial system that includes a one-time transition tax on deemed repatriated earnings of foreign subsidiaries and creating new taxes on certain foreign sourced earnings.
Income tax expense for the year ending December 31, 2017 includes a $41 tax benefit related to the re-measurement of a deferred tax liability on a long-lived asset resulting from the federal corporate rate reduction to 21%. The remaining impact from the re-measurement of our net U.S. deferred tax asset at the lower 21% rate was offset by the valuation allowance. During 2018, this amount was finalized and no additional adjustment was required to be made.
Comparison of the Years Ended December 31, 2017 and 2016
Revenue
The following table reflects our revenue for the year ended December 31, 2017, compared to December 31, 2016:

	Year Ended December 31,			
			Increase	Percent
	2017	2016	(Decrease)	Change
Revenue	$184,360	$168,234	$ 16,126	9.6 %

Our revenue increased during the year ended December 31, 2017, versus 2016 primarily due to an increase in our content delivery revenue, which was driven by increases in volumes with certain of our larger customers. The increase in volumes in 2017 was partially offset by a small decrease in our average selling price versus the comparable 2016 period.
Our active customers worldwide decreased to 717 as of December 31, 2017, compared to 851 as of December 31, 2016. We are continuing our selective approach to accepting profitable business by following a clear process for identifying customers that value quality, performance, availability, and service.
During the years ended December 31, 2017 and 2016, sales to our top 20 customers accounted for approximately 66% and 62%, respectively of our total revenue. The customers that comprised our top 20 customers change, and our large customers may not continue to be as significant going forward as they have been in the past.
During the year ended December 31, 2017, Amazon represented 17% of our total revenue. During the year ended December 31, 2016, we had no customer who represented 10% or more of our total revenue.
Revenue by geography is based on the location of the customer from which the revenue is earned. The following table sets forth revenue by geographic area (in thousands and as a percentage of total revenue):

	Year Ended December 31,			
	2017		2016	
Americas	$116,112	63.0 %	$100,421	59.7 %
EMEA	37,212	20.2 %	31,326	18.6 %
Asia Pacific	31,036	16.8 %	36,487	21.7 %
Total revenue	$184,360	100.0 %	$168,234	100.0 %

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Cost of Revenue

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

	Year Ended December 31,			
	2017		2016	
Bandwidth and co-location fees	$54,033	29.3%	$56,596	33.6%
Depreciation - network	18,138	9.8 %	18,032	10.7%
Payroll and related employee costs	16,651	9.0 %	15,061	9.0 %
Share-based compensation	1,450	0.8 %	1,493	0.9 %
Other costs	6,289	3.4 %	5,707	3.4 %
Total cost of revenue	$96,561	52.4%	$96,889	57.6%

Our cost of revenue decreased in aggregate dollars and as a percentage of revenue for the year ended December 31, 2017, versus 2016 primarily as a result of the following:

- Bandwidth and co-location fees decreased primarily due to decreased peering and co-location costs reflecting our continued co-location consolidation efforts and contract negotiations with our vendors. Our peering and co-location costs decreased in both aggregate dollars and as a percentage of total revenue due to improved server and operational efficiencies resulting in additional revenue without corresponding proportional costs.

This decrease was partially off-set by an increase in:

- Payroll and related employee costs due to increased operations personnel and higher annual variable compensation; and
- Increased other costs primarily due to other cost of sales, travel, fees and licenses and outside labor 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,			
	2017		2016	
Payroll and related employee costs	$12,521	6.8 %	$7,845	4.7 %
Professional fees and outside services	3,213	1.7 %	3,289	2.0 %
Share-based compensation	6,502	3.5 %	7,070	4.2 %
Litigation expenses	5,518	3.0 %	7,284	4.3 %
Other costs	4,299	2.3 %	4,554	2.7 %
Total general and administrative	$32,053	17.4%	$30,042	17.9%

Our general and administrative expense increased in aggregate dollars and decreased as a percentage of total revenue for the year ended December 31, 2017, versus 2016. The increase in aggregate dollars was primarily due to increased payroll and related employee costs due to higher headcount, average salaries, and annual variable compensation. These increases were partially off-set by a decrease in litigation expenses related to our intellectual property lawsuits. Other costs decreased as a result of a state sales tax refund received in the second quarter of 2017 which off-set an increase in bad debt.

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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,			
	2017		2016	
Payroll and related employee costs	$25,064	13.6%	$22,379	13.3%
Share-based compensation	2,470	1.3%	2,792	1.7%
Marketing programs	2,002	1.1%	1,416	0.8%
Other costs	6,562	3.6%	6,358	3.8%
Total sales and marketing	$36,098	19.6%	$32,945	19.6%

Our sales and marketing expense increased in aggregate dollars and remained constant as a percentage of total revenue for the year ended December 31, 2017, versus 2016. The increase in sales and marketing expense was primarily as a result of the following:

- increased payroll and related employee costs due to increased headcount and higher variable compensation;
- increased marketing spending related to public relations, advertising and trade shows; and
- increased other costs which related to our annual sales meeting, off-set by lower fees and licenses.

These increases were partially offset by decreased share-based compensation costs.

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,			
	2017		2016	
Payroll and related employee costs	$18,647	10.1%	$18,270	10.9%
Share-based compensation	2,322	1.3%	2,104	1.3%
Other costs	4,373	2.4%	3,961	2.4%
Total research and development	$25,342	13.7%	$24,335	14.5%

Our research and development expense increased in aggregate dollars and decreased as a percentage of total revenue for the year ended December 31, 2017, versus 2016. The increase in aggregate dollars was primarily due to increased payroll and related employee costs due to higher annual variable compensation, partially offset by lower average salaries. Additionally, other costs increased primarily due to an increase in outside labor costs.

Depreciation and Amortization (Operating Expenses)

Depreciation and amortization expense was $2,376, or 1.3% of revenue, for the year ended December 31, 2017, versus $2,452, or 1.5% of revenue for 2016. 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 $80 for the year ended December 31, 2017, versus $918 for 2016. This decrease was primarily due to a reduction in interest on our line of credit borrowings, capital leases, fees and the amortization of fees associated with our Credit Agreement. See Note 8 of Notes to Consolidated Financial Statements included in Part II, Item 8 of this annual report on Form 10-K for additional information related to our Credit Agreement.

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Interest Income

Interest income was $494 for the year ended December 31, 2017, versus $123 for 2016. Interest income includes interest earned on invested cash balances and marketable securities.

Other Income (Expense)

Other income (expense) was $452 for the year ended December 31, 2017, versus $(98) for 2016. For the year ended December 31, 2017, other income consisted primarily of the gain on sale of fixed assets and foreign currency transaction gains and losses.

For the year ended December 31, 2016, other income consisted primarily of foreign currency transaction gains and losses, the gain on sale of fixed assets, and the receipt of a state tax refund related to a previously divested business.

Income Tax Expense

Income tax expense for the year ended December 31, 2017, was $426 versus $603 for 2016. Income tax expense on the loss 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 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.

On December 22, 2017, the Tax Cuts and Jobs Act (the Tax Act) significantly revised the U.S. corporate income tax law, by among other things, reducing the corporate income tax rate to 21% for tax years beginning in 2018, implementing a modified territorial system that includes a one-time transition tax on deemed repatriated earnings of foreign subsidiaries and creating new taxes on certain foreign sourced earnings.

Income tax expense for the year ending December 31, 2017 includes a $41 tax benefit related to the re-measurement of a deferred tax liability on a long-lived asset resulting from the federal corporate rate reduction to 21%. The remaining impact from the re-measurement of our net U.S. deferred tax asset at the lower 21% rate was offset by the valuation allowance.

Liquidity and Capital Resources

As of December 31, 2018, our cash, cash equivalents and marketable securities classified as current totaled $50,466. Included in this amount is approximately $4,822 of cash and cash equivalents held outside the United States. 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 purchases of property and equipment and changes in our capital and financial structure due to debt repurchases and issuances, stock option exercises, sales of equity investments and similar events.

In August 2016, we entered into a settlement and license agreement with Akamai with respect to the ‘703 and certain other related patents. The agreement settles all asserted and unasserted claims with respect to the licensed patents. The terms of the agreement require us to pay $54,000 over twelve equal quarterly installments beginning on August 1, 2016. As of December 31, 2018, there remained $9,000 due to Akamai under the terms of the settlement and license agreement.

On April 9, 2018, we entered into a definitive settlement and patent license agreement with Akamai in a separate matter where the parties agreed to (i) license certain patents to the other party, (ii) a covenant not to sue for three years for certain patents related to the licensed patents, and (iii) settle all outstanding legal disputes between the parties. The terms of the agreement also require Akamai to pay to Limelight a total of $14,900, over five equal quarterly installments. As of December 31, 2018, there remained $5,960 due from Akamai.

We believe that our existing cash, cash equivalents and marketable securities, and available borrowing capacity 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.

The major components of changes in cash flows for the years ended December 31, 2018, 2017, and 2016 are discussed in the following paragraphs.

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Operating Activities

Net cash provided by operating activities was $19,722 for the year ended December 31, 2018, versus $5,498 for 2017, an increase of $14,224. Changes in operating assets and liabilities of $(10,375) during the year ended December 31, 2018, versus $(21,425) in 2017 were primarily due to:

- accounts receivable decreased $5,438 during the year ended December 31, 2018 as a result of timing of collections as compared to a $5,912 increase in the comparable 2017 period;
- prepaid expenses and other current assets increased $2,466 during the year ended December 31, 2018, due to an increase in customer acquisition costs off-set by the amortization of prepaid bandwidth expenses and other prepaid expenses, compared to a $342 increase in the comparable 2017 period;
- accounts payable and other current liabilities decreased $4,333 during the year ended December 31, 2018, versus a increase of $4,019 for the comparable 2017 period due to timing of vendor payments and the payment of 2017 variable compensation accruals; and
- net payments for provision for litigation decreased by $8,940 as a result of the payments received from Akamai under the settlement and patent license agreement.

Net cash provided by operating activities was $5,498 for the year ended December 31, 2017, versus $6,558 for 2016, a decrease of $1,060. Changes in operating assets and liabilities of $(21,425) during the year ended December 31, 2017, versus $(7,937) in 2016 were primarily due to:

- provision for litigation decreased by $18,000 as a result of our settlement agreement payments made to Akamai;
- accounts receivable increased $5,912 during the year ended December 31, 2017 as a result of timing of collections as compared to a $760 increase in the comparable 2016 period;
- prepaid expenses and other current assets increased $342 during the year ended December 31, 2017, due to an increase in prepaid bandwidth expenses and VAT receivables, compared to a $4,648 decrease in the comparable 2016 period; and
- accounts payable and other current liabilities increased $4,019 during the year ended December 31, 2017, versus a decrease of $1,757 for the comparable 2016 period due to increased variable compensation accruals and the timing of vendor payments.

Cash provided by operating activities may not be sufficient to cover new purchases of property and equipment during 2019 and beyond. 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 was $12,744 for the year ended December 31, 2018, versus $4,802 for 2017 and $25,373 for the year ended December 31, 2016. Net cash used in investing activities was primarily related to the purchase of marketable securities, and capital expenditures primarily for servers and network equipment associated with the build-out and expansion of our global computing platform, partially offset by cash received from the sale and maturities of marketable securities.

We expect to have ongoing capital expenditure requirements as we continue to invest in and expand our content delivery network. During 2018, we made capital expenditures of $16,113, which represented approximately 8% of our total revenue. We currently expect an increase in capital expenditures in 2019 compared to 2018, as we continue to increase the capacity of our global network and re-fresh our systems.

Financing Activities

Net cash used in financing activities was $2,420 for the year ended December 31, 2018, versus $1,848 for 2017. Net cash used in financing activities in the year ended December 31, 2018, primarily relates to payments of employee tax withholdings related to the net settlement of vested restricted stock units of $4,793, the repurchase of our common stock of $3,800, offset by cash received from the exercise of stock options and our employee stock purchase plan of $6,173.

Net cash used in financing activities was $1,848 for the year ended December 31, 2017, versus $3,924 for 2016. Net cash used in financing activities in the year ended December 31, 2017, primarily relates to payments of employee tax withholdings related to the net settlement of vested restricted stock units of $4,496, offset by cash received from the exercise of stock options and our employee stock purchase plan of $2,648.

Line of Credit

In February 2018, we entered into the Fourth Amendment to the Credit Agreement with SVB originally entered into in November 2015. Under the Fourth Amendment, we increased the maximum principal commitment amount from $10,000 to $20,000. Our borrowing capacity is the lesser of the commitment amount or 80% of eligible accounts receivable. The Fourth Amendment extended the Credit Agreement one year. All outstanding borrowings owed under the Credit Agreement become due and payable no later than the final maturity date of November 2, 2020.

As of December 31, 2018, borrowings under the Credit Agreement bear interest at the current prime rate minus 0.25%. In the event of default, obligations shall bear interest at a rate per annum which is 3% above the then applicable rate. As of December 31, 2018 and 2017, respectively, we had no outstanding borrowings, and we had availability under the Credit Agreement of approximately $20,000 and $10,000, respectively.

Financial Covenants and Borrowing Limitations

The Credit Agreement requires, and any future credit facilities will likely require, us to comply with specified financial requirements that may limit the amount we can borrow. A breach of any of these covenants could result in a default. Our ability to satisfy those covenants depends principally upon our ability to meet or exceed certain financial performance results. Any debt agreements we enter into in the future may further limit our ability to enter into certain types of transactions.

Under the Fourth Amendment, we are required to maintain a minimum liquidity of $10,000 at all times, measured quarterly, with a minimum of $5,000 of the $10,000 in cash at SVB. In addition, we are required to maintain an Adjusted Quick Ratio of at least 1.0 to 1.0. We are also subject to certain customary limitations on our ability to, among other things, incur debt, grant liens, make acquisitions and other investments, make certain restricted payments such as dividends, dispose of assets or undergo a change in control. As of December 31, 2018, we were in compliance with all covenants under the Credit Agreement.

For a more detailed discussion regarding our Credit Agreement, please refer to Note 8 "Line of Credit" of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

We may be prevented from taking advantage of business opportunities that arise because of the limitations imposed on us by restrictive covenants within the Credit Agreement. These restrictions may also limit our ability to plan for or react to market conditions, meet capital needs or otherwise restrict our activities or business plans and adversely affect our ability to finance our operations, enter into acquisitions, execute our business strategy, effectively compete with companies that are not similarly restricted or engage in other business activities that would be in our interest. In the future, we may also incur debt obligations that might subject us to additional and different restrictive covenants that could affect our financial and operational flexibility. We cannot assure you that we will be granted waivers or amendments to the indenture governing the Credit Agreement, or such other debt obligations if for any reason we are unable to comply with our obligations thereunder or that we will be able to refinance our debt on acceptable terms, or at all, should we seek to do so. Any such limitations on borrowing under the Credit Agreement, including payments related to litigation, could have a material adverse impact on our liquidity and our ability to continue as a going concern could be impaired.

Capital leases

We occasionally acquire equipment under capital lease agreements. The outstanding balance for capital leases was approximately $1,902 as of December 31, 2015. During the year ended December 31, 2016, we paid $4,236, which represented the outstanding balance for all capital lease obligations at that time. As of December 31, 2018, 2017 and 2016, respectively, we had no outstanding capital lease obligations.

Share repurchases

On March 14, 2017, our board of directors authorized a $25,000 share repurchase program. Any shares repurchased under this program will be canceled and returned to authorized but unissued status. This share repurchase program replaced the $9,500 remaining from the previously announced $15,000 share repurchase program. During the year ended December 31, 2018, we purchased and canceled 1,000 shares for $3,800, including commissions and fees. During the years ended December 31, 2017 and 2016, respectively, we did not repurchase any shares under the repurchase programs. As of December 31, 2018, there remained $21,200 under this share repurchase program.

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Contractual Obligations, Contingent Liabilities, and Commercial Commitments

In the normal course of business, we make certain long-term commitments for operating agreements, primarily office facilities, bandwidth, and computer rack space. These commitments expire on various dates ranging from 2019 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 2019 and beyond. As a result of our growth strategies, we believe that our liquidity and capital resources requirements will grow.

The following table presents our contractual obligations and commercial commitments, as of December 31, 2018 over the next five years and thereafter (in thousands):

	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Operating Agreements					
Bandwidth	$19,492	$16,367	$3,123	$2	$ —
Co-location	7,419	5,711	1,466	242	—
Real estate leases	4,360	2,266	2,039	55	—
Total operating agreements	31,271	24,344	6,628	299	—
Settlement agreement	9,000	9,000	—	—	—
Total commitments	$40,271	$33,344	$6,628	$299	$ —

Off Balance Sheet Arrangements

As of December 31, 2018, 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

See Item 8 of Part II, “Financial Statements and Supplementary Data - Note 2 - Summary of Significant Accounting Policies - Recent Accounting Standards.”

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. Interest expense on our line of credit under the Fourth Amendment is at the current prime rate minus 0.25%. In the event of default, obligations shall bear interest at a rate per annum which is 3% above the then applicable rate. An increase in interest rates of 100 basis points would add $10 of interest expense per year, to our financial position or results of operations, for each $1,000 drawn on the line of credit. As of December 31, 2018, there were no outstanding borrowings against the line of credit.

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 our 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

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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 income for the year ended December 31, 2018, would have been lower by approximately $1,563. 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

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 2018, 2017, and 2016, sales to our top 20 customers accounted for approximately 71%, 66% and 62%, respectively, of our total revenue. During 2018 and 2017, Amazon represented approximately 30% and 17%, respectively, of our total revenue. During 2016, we had no customer who represented 10% or more of our total revenue. In 2019, we anticipate that our top 20 customer concentration levels will remain consistent with 2018. In the past, the customers that comprised our top 20 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.

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Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Limelight Networks, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Limelight Networks, Inc. (the Company) as of December 31, 2018 and 2017, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2018, and the related notes and the financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2018 and 2017, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated January 31, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP
We have served as the Company's auditor since 2006.
Phoenix, Arizona
January 31, 2019

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

	December 31, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ 25,383	$ 20,912
Marketable securities	25,083	28,404
Accounts receivable, net	26,041	32,381
Income taxes receivable	122	98
Prepaid expenses and other current assets	14,789	5,397
Total current assets	91,418	87,192
Property and equipment, net	27,378	28,991
Marketable securities, less current portion	40	40
Deferred income taxes	1,462	1,506
Goodwill	76,407	77,054
Other assets	2,220	1,665
Total assets	$ 198,925	$ 196,448
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 9,216	$ 4,439
Deferred revenue	1,883	1,187
Income taxes payable	124	452
Provision for litigation	9,000	18,000
Other current liabilities	12,922	18,507
Total current liabilities	33,145	42,585
Deferred income taxes	152	144
Deferred revenue, less current portion	42	16
Provision for litigation, less current portion	—	9,000
Other long-term liabilities	435	558
Total liabilities	33,774	52,303
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; 114,246 and 110,824 shares issued and outstanding at December 31, 2018 and 2017, respectively	114	111
Additional paid-in capital	513,682	502,312
Accumulated other comprehensive loss	(10,033)	(8,328)
Accumulated deficit	(338,612)	(349,950)
Total stockholders' equity	165,151	144,145
Total liabilities and stockholders' equity	$ 198,925	$ 196,448

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,		
	2018	2017	2016
Revenue	$195,670	$184,360	$168,234
Cost of revenue:			
Cost of services (1)	85,920	78,423	78,857
Depreciation — network	16,277	18,138	18,032
Total cost of revenue	102,197	96,561	96,889
Gross profit	93,473	87,799	71,345
Operating expenses:			
General and administrative	32,372	32,053	30,042
Sales and marketing	39,553	36,098	32,945
Research and development	24,075	25,342	24,335
Depreciation and amortization	2,313	2,376	2,452
Provision for litigation	—	—	54,000
Total operating expenses	98,313	95,869	143,774
Operating loss	(4,840)	(8,070)	(72,429)
Other income (expense):			
Interest expense	(86)	(80)	(918)
Interest income	670	494	123
Settlement and patent license income	14,900	—	—
Other, net	(264)	452	(98)
Total other income (expense)	15,220	866	(893)
Income (loss) before income taxes	10,380	(7,204)	(73,322)
Income tax expense	538	426	603
Net income (loss)	$9,842	$(7,630)	$(73,925)
Net income (loss) per share:			
Basic	$0.09	$(0.07)	$(0.71)
Diluted	$0.08	$(0.07)	$(0.71)
Weighted average shares used in per share calculation:			
Basic	112,114	108,814	104,350
Diluted	120,010	108,814	104,350

(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 Income (Loss)
(In thousands)

	Years Ended December 31,		
	2018	2017	2016
Net income (loss)	$9,842	$(7,630)	$(73,925)
Other comprehensive gain (loss), net of tax:			
Unrealized gain (loss) on investments	28	59	(84)
Foreign exchange translation (loss) gain	(1,733)	2,651	(142)
Other comprehensive (loss) gain, net of tax	(1,705)	2,710	(226)
Comprehensive income (loss)	$8,137	$(4,920)	$(74,151)

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	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
	Shares	Amount				
Balance at December 31, 2015	102,299	$ 102	$477,202	$ (10,812)	$ (268,395)	$198,097
Net loss	—	—	—	—	(73,925)	(73,925)
Change in unrealized loss on available-for-sale investments, net of taxes	—	—	—	(84)	—	(84)
Foreign currency translation adjustment, net of taxes	—	—	—	(142)	—	(142)
Exercise of common stock options	850	—	1,243	—	—	1,243
Vesting of restricted stock units	3,753	4	(4)	—	—	—
Restricted stock units surrendered in lieu of withholding taxes	(1,167)	—	(1,979)	—	—	(1,979)
Issuance of common stock under employee stock purchase plan	1,324	1	1,497	—	—	1,498
Share-based compensation	—	—	12,860	—	—	12,860
Balance at December 31, 2016	107,059	$ 107	490,819	(11,038)	(342,320)	137,568
Net loss	—	—	—	—	(7,630)	(7,630)
Change in unrealized loss on available-for-sale investments, net of taxes	—	—	—	59	—	59
Foreign currency translation adjustment, net of taxes	—	—	—	2,651	—	2,651
Exercise of common stock options	384	—	1,074	—	—	1,074
Vesting of restricted stock units	4,004	4	(4)	—	—	—
Restricted stock units surrendered in lieu of withholding taxes	(1,310)	(1)	(4,496)	—	—	(4,497)
Issuance of common stock under employee stock purchase plan	687	1	1,573	—	—	1,574
Share-based compensation	—	—	13,346	—	—	13,346
Balance at December 31, 2017	110,824	$ 111	502,312	(8,328)	(349,950)	144,145
Cumulative effect of accounting change	—	—	—	—	1,496	1,496
Net income	—	—	—	—	9,842	9,842
Change in unrealized loss on available-for-sale investments, net of taxes	—	—	—	28	—	28
Foreign currency translation adjustment, net of taxes	—	—	—	(1,733)	—	(1,733)
Exercise of common stock	1,479	1	4,021	—	—	4,022

options						
Vesting of restricted stock units	3,501	3	(3)	—	—	—
Restricted stock units surrendered in lieu of withholding taxes	(1,154)	(1)	(4,792)	—	—	(4,793)

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	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
	Shares	Amount				
Issuance of common stock under employee stock purchase plan	596	1	2,150	—	—	2,151
Purchases of common stock	(1,000)	(1)	(3,799)	—	—	(3,800)
Share-based compensation	—	—	13,793	—	—	13,793
Balance at December 31, 2018	114,246	$ 114	$ 513,682	$ (10,033)	$ (338,612)	$ 165,151

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,		
	2018	2017	2016
Operating activities			
Net income (loss)	$9,842	$(7,630)	$(73,925)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	18,590	20,514	20,484
Share-based compensation	15,830	12,744	13,459
Settlement and patent license income	(14,900)	—	—
Accrual of provision for litigation	—	—	54,000
Foreign currency remeasurement (gain) loss	(162)	798	585
Deferred income taxes	17	(325)	170
Gain on sale of property and equipment	(137)	(410)	(514)
Accounts receivable charges	902	949	137
Amortization of premium on marketable securities	115	283	67
Realized loss on sale of marketable securities	—	—	32
Changes in operating assets and liabilities:			
Accounts receivable	5,438	(5,912)	(760)
Prepaid expenses and other current assets	(2,466)	(342)	4,648
Income taxes receivable	(31)	38	39
Other assets	(558)	270	580
Accounts payable and other current liabilities	(4,333)	4,019	(1,757)
Deferred revenue	1,089	(957)	(822)
Income taxes payable	(333)	249	(8)
Payments related to litigation, net	(9,060)	(18,000)	(9,000)
Other long term liabilities	(121)	(790)	(857)
Net cash provided by operating activities	19,722	5,498	6,558
Investing activities			
Purchases of marketable securities	(20,631)	(14,930)	(45,629)
Sale and maturities of marketable securities	23,865	30,756	29,315
Purchases of property and equipment	(16,113)	(20,725)	(9,563)
Proceeds from sale of property and equipment	135	97	504
Net cash used in investing activities	(12,744)	(4,802)	(25,373)
Financing activities			
Principal payments on capital lease obligations	—	—	(4,685)
Payment of employee tax withholdings related to restricted stock vesting	(4,793)	(4,496)	(1,982)
Cash paid for purchase of common stock	(3,800)	—	—
Proceeds from employee stock plans	6,173	2,648	2,743
Net cash used in financing activities	(2,420)	(1,848)	(3,924)
Effect of exchange rate changes on cash and cash equivalents	(87)	330	(207)
Net increase (decrease) in cash and cash equivalents	4,471	(822)	(22,946)
Cash and cash equivalents, beginning of year	20,912	21,734	44,680
Cash and cash equivalents, end of year	$25,383	$20,912	$21,734
Supplement disclosure of cash flow information			
Cash paid during the year for interest	$87	$44	$720
Cash paid during the year for income taxes, net of refunds	$892	$486	$542
Property and equipment acquired through capital leases	$—	$—	$2,659

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, 2018
(In thousands, except per share amounts and where specifically noted)

1. Nature of Business

Limelight Networks Inc., a leading provider of digital content delivery, video, cloud security, and edge computing services, empowers customers to provide exceptional digital experiences. Limelight's edge services platform includes a unique combination of global private infrastructure, intelligent software, and expert support services that enable current and future workflows.

We were incorporated in Delaware in 2003, and have operated in the Phoenix metropolitan area since 2001 and elsewhere throughout the United States since 2003. We 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 Limelight and our wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated. In addition, certain other reclassifications have been made to prior period amounts to conform to the current period presentation.

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, 2019, or for any future periods.

Foreign Currency Translation

We translate assets and liabilities of foreign subsidiaries, whose functional currency is their local currency, at exchange rates in effect at the balance sheet date. We translate revenue and expenses at the monthly average exchange rates. We include accumulated net translation adjustments in stockholders' equity as a component of accumulated other comprehensive income (loss).

The functional currency of our international subsidiaries is the local currency. 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, 2018, 2017, and 2016, we recorded foreign currency translation gains (losses) of $(1,733), $2,651, and $(142), respectively, in our statements of comprehensive income (loss).

Our entities occasionally transact in currencies other than their functional currencies. Assets denominated in foreign currencies other than that of the functional currency of the entity are remeasured at period-end exchange rates. Foreign currency-based revenue and expense transactions are measured at transaction date exchange rates. During the years ended December 31, 2018, 2017, and 2016, we recorded a foreign currency re-measurement gain (loss) of approximately $(405), $41, and $(982), respectively, in other income (expense) in the consolidated statements of operations.

Recent Accounting Standards

Adopted Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2014-09 (Topic 606) "Revenue from Contracts with Customers." Topic 606 supersedes the revenue recognition requirements in Accounting Standards Codification (ASC) Topic 605 "Revenue Recognition" (Topic 605), and requires entities to recognize revenue when control of promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services.

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On January 1, 2018, we adopted Topic 606 using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under Topic 605.

We recorded a net decrease to opening accumulated deficit of $1,496 as of January 1, 2018 due to the cumulative impact of adopting Topic 606, with the impact primarily related to the costs to obtain a customer contract ($1,129), specifically commissions and upfront incentive payments, and from the recognition of revenue from customers with contracts that contain minimum commitments (greater than monthly) billed ratably over the contract term ($367).

Costs associated with obtaining a customer contract were previously expensed in the period they were incurred. Under Topic 606, these payments have been capitalized on our consolidated balance sheets and amortized over the expected life of the customer. The impact to sales and marketing expense for the year ended December 31, 2018 was not material as a result of applying Topic 606. As of December 31, 2018, prepaid commissions were $1,467, with the short term portion of $870 included in prepaid expenses and other current assets, and the long term portion of $597 included in other assets.

For customers with contracts that contain minimum commitments (greater than monthly) billed ratably over the contract term, previously, we either accrued or deferred revenue based on actual usage. Under Topic 606, we are required to evaluate the impact of estimating variable consideration related to these types of contracts. We use the expected value method to estimate the total revenue of the contract, constrained by the probability that there would not be a significant revenue reversal in a future period, and recognize a pro-rata share of the total revenue of the contract each month. We continue to evaluate the expected revenue over the term of the contract and adjust revenue recognition as appropriate. The impact to revenues for the year ended December 31, 2018 was an increase of $665, as a result of applying Topic 606.

In August 2016, the FASB issued ASU No. 2016-15, which amends ASC 230, to clarify guidance on the classification of certain cash receipts and payments in the statement of cash flows. The FASB issued ASU 2016-15 with the intent of reducing diversity in practice with respect to eight types of cash flows. We have adopted this guidance effective January 1, 2018. The adoption of this new guidance did not have a material impact on our consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09, which clarifies when changes to the terms or conditions of a share-based payment award must be accounted for as modifications. ASU 2017-09 will reduce diversity in practice and result in fewer changes to the terms of an award being accounted for as modifications. Under ASU 2017-09, an entity will not apply modification accounting to a share-based payment award if the award's fair value, vesting conditions and classification as an equity or liability instrument are the same immediately before and after the change. ASU 2017-09 will be applied prospectively to awards modified on or after the adoption date. We have adopted this guidance effective January 1, 2018. The adoption of this new guidance did not have a material impact on our consolidated financial statements.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, which establishes a right-of-use model that requires a lessee to record a right-of-use asset and a lease liability on the balance sheet for most leases. In July 2018, the FASB issued ASU No. 2018-11, which amends the guidance to add a method of adoption whereby the issuer may elect to recognize a cumulative-effect adjustment at the beginning of the period of adoption. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. ASU 2016-02 defines a lease as a contract, or part of a contract, that conveys the right to control the use of identified property, plant or equipment for a period of time in exchange for consideration. To determine whether a contract conveys the right to control the use of the identified asset for a period of time, the customer has to have both (1) the right to obtain substantially all of the economic benefits from the use of the identified asset and (2) the right to direct the use of the identified asset, a contract does not contain an identified asset if the supplier has a substantive right to substitute such asset ("the leasing criteria"). Upon review of our co-location and bandwidth arrangements, we have preliminarily determined that such arrangements did not meet the leasing criteria, and therefore, we will not include these commitments in our right-of-use asset and lease liability on our balance sheet. We have preliminarily determined that

our real estate leases with terms in excess of one year and do not include an option to purchase the underlying asset, do meet the leasing criteria, and will be treated similar to current operating lease accounting.

We plan to adopt the standard effective January 1, 2019, applying the package of practical expedients to leases that commenced before the effective date whereby we will elect to not reassess the following: (i) whether any expired or existing contracts contain leases; (ii) the lease classification for any expired or existing leases; and (iii) initial direct costs for any existing leases. We expect to record lease right of use assets and related liabilities on our balance sheet of approximately $4 million related to our operating leases. We have no financing leases. We expect no change to our consolidated statements of operations or cash flows.

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In January 2017, the FASB issued ASU 2017-04, which simplifies the accounting for goodwill impairment. The updated guidance eliminates Step 2 of the impairment test, which requires entities to calculate the implied fair value of goodwill to measure a goodwill impairment charge. Instead, entities will record an impairment charge based on the excess of a reporting unit's carrying amount over its fair value, determined in Step 1. This guidance will become effective for us in fiscal years beginning after December 15, 2019, including interim periods within that reporting period. We will adopt this guidance using a prospective approach.
In June 2018, the FASB issued ASU 2018-07, which simplifies several aspects of the accounting for nonemployee share-based payment transactions resulting from expanding the scope of Topic 718, Compensation-Stock Compensation, to include share-based payment transactions for acquiring goods and services from nonemployees. Some of the areas for simplification apply only to nonpublic entities. The amendments specify that Topic 718 applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor's own operations by issuing share-based payment awards. The amendments also clarify that Topic 718 does not apply to share-based payments used to effectively provide (1) financing to the issuer or (2) awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under Topic 606, Revenue from Contracts with Customers. The amendments in this updated guidance are effective for public business entities for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. We will adopt this guidance effective January 1, 2019. We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements and related disclosures.
In August 2018, the FASB issued ASU 2018-13, which removes, modifies and adds to the disclosure requirements on fair value measurements in Topic 820. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. This guidance will become effective for us in fiscal years beginning after December 15, 2019, including interim periods within that reporting period. Early adoption is permitted upon issuance of this updated guidance. An entity is permitted to early adopt any removed or modified disclosures upon issuance of this updated guidance and delay adoption of the additional disclosures until their effective date. We do not plan to early adopt this ASU, and we are currently evaluating the impact of this guidance on our consolidated financial statements.
In August 2018, the FASB issued ASU 2018-15, to help entities evaluate the accounting for fees paid by a customer in a cloud computing arrangement (hosting arrangement) by providing guidance for determining when the arrangement includes a software license. The amendments align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by the amendments. This guidance will become effective for us in fiscal years beginning after December 15, 2019. Early adoption is permitted, including adoption in any interim period. We do not plan to early adopt this ASU, and are currently evaluating the impact that this guidance will have upon our financial position and results of operations, if any.

Revenue Recognition

Revenues are recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services.

Our 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 allow the customer access to our network and commit the customer to a minimum monthly level of usage with additional charges applicable for actual usage above the monthly minimum commitment, or are entirely usage based. 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 customers. For contracts that contain minimum monthly commitments, we recognize revenue equal to the greater of the minimum monthly committed amount or actual usage, if actual usage exceeds the monthly committed amount

pursuant to Topic 606.

For contracts that contain minimum commitments over the contractual term (greater than monthly), we evaluate the amount of variable consideration by using either the expected value method or the most likely amount method. Generally, we we believe the expected value method represents the most appropriate estimate of the amount of variable consideration. We include estimates of variable consideration in revenue only when we have a high degree of confidence that revenue will not be reversed in a subsequent reporting period. These customers have entered into contracts with contract terms generally from one to four years. We recognized revenue of approximately $8,300 during the year ended December 31, 2018, related to these types of contracts with our customers.

As of December 31, 2018, we have approximately $6,500 of fixed consideration related to remaining unsatisfied performance obligations. We expect to recognize approximately 80% of the remaining unsatisfied performance obligations in 2019, 20% in 2020 with an immaterial amount thereafter.

We may charge the customer an installation fee when services are first activated. We do not charge installation fees for contract renewals. Installation fees are not distinct within the context of the overall contractual commitment with the customer to perform our content delivery service and are therefore recognized initially as deferred revenue and recognized as revenue ratably over the estimated life of the customer.

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 when control of promised goods or services is transferred to customers at an amount that reflects the consideration to which we expect to be entitled to in exchange for those goods or services.

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 probable, we record an allowance for doubtful accounts and bad debt expense or deferred revenue for that customer's unpaid invoices and cease recognizing revenue for continued services provided until it is probable that revenue will not be reversed in a subsequent reporting period. Our standard payment terms vary by the type and location of our customer.

Arrangements with Multiple Performance Obligations

Certain of our revenue arrangements include multiple promises to our customers. Revenue arrangements with multiple promises are accounted for as separate performance obligations if each promise is distinct. Such arrangements may include a combination of some or all of the following: content delivery services, video content management services, performance services for website and web application acceleration and security, professional services, cloud storage, edge computing services, and sale of equipment.

Judgment may be required in determining whether products or services are considered distinct performance obligations that should be accounted for separately or as one combined performance obligation. Revenue is recognized over the period in which the performance obligations are satisfied, which is generally over the contract term. We have determined that generally most of our products and services do not constitute an individual service offering to our customers, as our promise to the customer is to provide a complete edge services platform, and therefore have concluded that it represents a single performance obligation. We have determined that professional services and hardware sales represent separate performance obligations from that of our edge services platform. Consideration is allocated to the performance obligations using the relative standalone selling price method. Generally, arrangements with performance obligations are provided over the same contract period, and therefore, revenue is recognized over the same period.

We determine standalone selling price by evaluating the overall pricing objectives and market conditions. Consideration included our discounting practices, the size and volume of our transactions, the area where services are sold, price lists, historical sales and contract prices.

Deferred Revenue

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 and prepayments made by customers for services to be rendered in future periods.

Cash and Cash Equivalents

We hold our cash and cash equivalents in checking, money market, and highly-liquid investments. We consider all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. Cash and cash equivalents are deposited in or managed by major financial institutions and at times exceed Federal Deposit Insurance Corporation insurance limits.

Investments in Marketable Securities

Management determines the appropriate classification of its marketable securities at the time of purchase and reevaluates such classification as of each balance sheet date. We have classified our investments, which are all debt securities, in marketable securities as available-for-sale and as current, as our marketable securities are available to fund current operations, and carry such investments at fair value. Available-for-sale investments are initially recorded at cost with changes

in fair value recorded through comprehensive loss. 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. We periodically review our investments for other-than-temporary declines in fair value based on the specific identification method and would write down investments to their fair value if and when an other-than-temporary decline has occurred.

Accounts Receivable

Trade accounts receivable are recorded at the invoiced amounts and do not bear interest. We record reserves against 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.

The 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 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. In the event such conditions become known, we specifically identify balances for necessary reserves.

Our 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 and software	3 years
Furniture and fixtures	3-5 years
Other equipment	3-5 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. We have concluded that we have one reporting unit and assigned the entire balance of goodwill to this reporting unit. 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 our annual impairment testing date of October 31, 2018, management determined that goodwill was not impaired. Management determined that the estimated fair value of its reporting unit exceeded carrying value by approximately $443,083 or 271%, using our market capitalization plus an estimated control premium of 33% on October 31, 2018. We updated our analysis as of December 31, 2018, and there were no indicators of impairment at that time.

As of December 31, 2018, we have no other unamortized intangible assets. However, in prior years, our other intangible assets represented existing technologies 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. Other intangible assets are included in other assets in the accompanying consolidated balance sheets. Amortization of other intangible assets is included in depreciation and amortization in the accompanying consolidated statements of 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

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possibility that the ultimate loss will exceed the recorded liability. Additionally, estimating the loss, or range of loss, associated with a contingency requires analysis of multiple factors, and changes in law or other developments may ultimately cause our judgments to change. Therefore, actual losses in any future period are inherently uncertain and may be materially different from our estimate.

Long-Lived Assets

We review our long-lived assets for impairment annually, or whenever events or circumstances indicate that the carrying amount of an asset may not be fully recoverable. We recognize 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. We treat any write-downs as permanent reductions in the carrying amounts of the assets. We concluded that the carrying amounts of our long-lived assets at December 31, 2018, and 2017, are fully realizable and have not recorded any impairment losses.

Deferred Rent and Lease Accounting

We lease office space in various locations. At the inception of each lease, we evaluate 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. We record 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, we record 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 record 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 leased warehouse space and utilities, 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.

We enter into contracts for bandwidth with third party network providers with terms typically ranging from several months to five years. These contracts generally commit us 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

Research and development costs consist primarily of payroll and related personnel costs for the design, development, deployment, testing, operation, and enhancement of our services, and network. Costs incurred in the development of our 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 $2,169, $2,001, and $1,411 for the years ended December 31, 2018, 2017, and 2016, respectively.

Income Taxes

We account 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.

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We record net deferred tax assets to the extent we believe these assets will more likely than not be realized. In making such determination, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies, and recent financial performance on a jurisdiction by jurisdiction basis. 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.

We recognize uncertain income tax positions in our financial statements when it is more-likely-than-not the position will be sustained upon examination.

On December 22, 2017, the Tax Cuts and Jobs Act (the Tax Act) significantly revised the U.S. corporate income tax law, by among other things, reducing the corporate income tax rate to 21% for tax years beginning in 2018, implementing a modified territorial system that includes a one-time transition tax on deemed repatriated earnings of foreign subsidiaries and creating new taxes on certain foreign sourced earnings.

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 or other readily available market information, 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.

Share-Based Compensation

We measure all employee 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 own volatility rate as a publicly traded company over the expected term of the awards. The 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 have never paid cash dividends and do not currently intend to pay cash dividends, and therefore, have assumed a 0% dividend yield. We develop an estimate of the number of share-based awards that will be forfeited due to employee turnover. 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.

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 share-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 estimate of awards considered probable of being earned changes, the amount of share-based compensation recognized will also change.

3. Investments in Marketable Securities

The following is a summary of marketable securities (designated as available-for-sale) at December 31, 2018:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Certificate of deposit	$ 40	$ —	$ —	$ 40
Corporate notes and bonds	25,115	—	32	25,083
Total marketable securities	$ 25,155	$ —	$ 32	$ 25,123

At December 31, 2018, we evaluated our marketable securities and determined unrealized losses were due to fluctuations in interest rates. We do not believe any of the unrealized losses represented an other-than-temporary impairment based on our evaluation of available evidence as of December 31, 2018. Our intent is to hold these investments to such time as these assets are no longer impaired.

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The amortized cost and estimated fair value of the marketable securities at December 31, 2018, 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	$ 25,115	$ —	$ 32	$ 25,083
Due after one year and through five years	40	—	—	40
	$ 25,155	$ —	$ 32	$ 25,123

The following is a summary of marketable securities (designated as available-for-sale) at December 31, 2017:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Certificate of deposit	$ 40	$ —	$ —	$ 40
Corporate notes and bonds	28,472	—	68	28,404
Total marketable securities	$ 28,512	$ —	$ 68	$ 28,444

The amortized cost and estimated fair value of the marketable securities at December 31, 2017, 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	$ 23,924	$ —	$ 62	$ 23,862
Due after one year and through five years	4,588	—	6	4,582
	$ 28,512	$ —	$ 68	$ 28,444

4. Accounts Receivable

Accounts receivable include:

	December 31,	
	2018	2017
Accounts receivable	$27,040	$33,519
Less: credit allowance	(250)	(240)
Less: allowance for doubtful accounts	(749)	(898)
Total accounts receivable, net	$26,041	$32,381

5. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets include:

	December 31,	
	2018	2017
Settlement and patent license receivable	$5,960	$—
Prepaid bandwidth and backbone	1,395	1,487
VAT receivable	2,022	1,454
Prepaid expenses and insurance	1,816	1,870
Vendor deposits and other	3,596	586
Total prepaid expenses and other current assets	$14,789	$5,397

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6. Goodwill

We have recorded goodwill as a result of past 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.

The changes in the carrying amount of goodwill for the years ended December 31, 2018, and 2017, were as follows:

Balance, December 31, 2016	$76,243
Foreign currency translation adjustment	811
Balance, December 31, 2017	77,054
Foreign currency translation adjustment	(647)
Balance, December 31, 2018	$76,407

7. Property and Equipment

Property and equipment include:

	December 31,	
	2018	2017
Network equipment	$105,760	$107,916
Computer equipment and software	8,711	9,801
Furniture and fixtures	703	2,432
Leasehold improvements	4,587	3,969
Other equipment	156	183
	119,917	124,301
Less: accumulated depreciation	(92,539)	(95,310)
Total property and equipment, net	$27,378	$28,991

Cost of revenue depreciation expense related to property and equipment was approximately $16,277, $18,138, and $18,032, respectively, for the years ended December 31, 2018, 2017, and 2016, respectively.

Operating expense depreciation and amortization expense related to property and equipment was approximately $2,313, $2,376, and $2,438, respectively, for the years ended December 31, 2018, 2017, and 2016, respectively.

8. Line of Credit

In February 2018, we entered into a Fourth Amendment (Fourth Amendment) to the Loan and Security Agreement (the Credit Agreement) with Silicon Valley Bank (SVB) originally entered into in November 2015. Under the Fourth Amendment, we increased the maximum principal commitment amount from $10,000 to $20,000. Our borrowing capacity is the lesser of the commitment amount or 80% of eligible accounts receivable. The Fourth Amendment extends the Credit Agreement one year. All outstanding borrowings owed under the Credit Agreement become due and payable no later than the final maturity date of November 2, 2020.

As of December 31, 2018, we had no outstanding borrowings, and we had availability under the Credit Agreement of approximately $20,000. We had no outstanding borrowings at December 31, 2017, and had availability under the Credit Agreement of approximately $10,000.

As of December 31, 2018, borrowings under the Credit Agreement bear interest at the current prime rate minus 0.25%. In the event of default, obligations shall bear interest at a rate per annum that is 3% above the then applicable rate. We incurred an amendment fee of $50 upon entering into the Fourth Amendment. The amendment fee and other commitment fees are included in interest expense. During the years ended December 31, 2018, 2017 and 2016, respectively, interest expense was $0, $0 and $205, respectively, and fees expense and related amortization was $86, $80 and $321, respectively.

Any borrowings are secured by essentially all of our domestic personal property, with a negative pledge on intellectual property. SVB's security interest in our foreign subsidiaries is limited to 65% of voting stock of each such foreign subsidiary.

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Under the Fourth Amendment, we are required to maintain a minimum liquidity of $10,000 at all times, measured quarterly, with a minimum of $5,000 of the $10,000 in cash at SVB. In addition, we are required to maintain an Adjusted Quick Ratio of at least 1.0 to 1.0. We are also subject to certain customary limitations on our ability to, among other things, incur debt, grant liens, make acquisitions and other investments, make certain restricted payments such as dividends, dispose of assets or undergo a change in control. As of December 31, 2018, we were in compliance with all covenants under the Credit Agreement.

9. Other Current Liabilities

Other current liabilities include:

	December 31,	
	2018	2017
Accrued compensation and benefits	$7,528	$12,181
Accrued cost of revenue	2,361	3,170
Accrued legal fees	22	383
Deferred rent	145	434
Other accrued expenses	2,866	2,339
Total other current liabilities	$12,922	$18,507

10. Contingencies

Legal Matters

Akamai ‘703 Litigation

In 2016, we entered into a settlement and license agreement with Akamai Technologies, Inc. (Akamai) with respect to U.S. Patent No. 6,108,703 (the ‘703 patent) and certain other related patents, which settled all asserted and unasserted claims with respect to the licensed patents. The terms of the agreement require us to pay $54,000 over twelve equal quarterly installments, which began on August 1, 2016. We took a charge in the quarter ended June 30, 2016 for the full, undiscounted amount of $54,000. As of December 31, 2018, there remained $9,000 due to Akamai under the terms of the settlement and license agreement.

Other Akamai Litigation

On April 9, 2018, we entered into a definitive settlement and patent license agreement with Akamai in a separate matter where the parties agreed to (i) license certain patents to the other party, (ii) a covenant not to sue for three years for certain patents related to the licensed patents, and (iii) settle all outstanding legal disputes between the parties. The terms of the agreement also require Akamai to pay to Limelight a total of $14,900, over five equal quarterly installments. As of December 31, 2018, there remained $5,960 due from Akamai.

Legal and other expenses associated with litigation have been significant. We include these litigation expenses in general and administrative expenses as incurred, as reported in the consolidated statement of operations.

Other Matters

We are 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 our business, financial position, results of operations, or cash flows, and accordingly, no legal contingencies are accrued as of December 31, 2018. 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.

Taxes

We are 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 us conducting business online or providing internet-related services. 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 in various states and abroad may impose taxes on the

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internet-related revenue we generate 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, we may come under audit, which could result in changes to our tax estimates. We believe we maintain adequate tax reserves, that are not material in amount, to offset potential liabilities that may arise upon audit. Although we believe our 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.

11. Net Income (Loss) per Share

We calculate basic and diluted net income (loss) per weighted average share. We use 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 all potentially dilutive common stock, including awards granted under our equity incentive compensation plans in the weighted-average number of shares of common stock outstanding.

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

	Years Ended December 31,		
	2018	2017	2016
Net income (loss)	$9,842	$(7,630)	$(73,925)
Basic weighted average outstanding shares of common stock	112,114	108,814	104,350
Basic weighted average outstanding shares of common stock	112,114	108,814	104,350
Dilutive effect of stock options, restricted stock units, and other equity incentive plans	7,896	—	—
Diluted weighted average outstanding shares of common stock	120,010	108,814	104,350
Basic net income (loss) per share	$0.09	$(0.07)	$(0.71)
Diluted net income (loss) per share	$0.08	$(0.07)	$(0.71)

For the years ended December 31, 2018, 2017 and 2016, the following potentially dilutive common stock, including awards granted under our equity incentive compensation plans were excluded from the computation of diluted net income (loss) per share because including them would have been anti-dilutive.

	Years Ended December 31,		
	2018	2017	2016
Employee stock purchase plan	—	80	114
Stock options	3,288	2,643	71
Restricted stock units	451	3,332	1,122
	3,739	6,055	1,307

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12. Stockholders' Equity

Common Stock

On March 14, 2017, our board of directors authorized a $25,000 share repurchase program. Any shares repurchased under this program will be canceled and returned to authorized but unissued status. This share repurchase program replaces the $9,500 remaining from the previously announced $15,000 share repurchase program. During the year ended December 31, 2018, we purchased and canceled 1,000 shares for $3,800, including commissions and expenses. We did not purchase any shares during the years ended December 31, 2017 and 2016, respectively. All repurchased shares were canceled and returned to authorized but unissued status.

Amended and Restated Equity Incentive Plan

We established the 2007 Equity Incentive Plan, or the 2007 Plan, which allows for the grant of equity, including stock options and restricted stock unit awards. In June 2016, our stockholders approved the Amended and Restated Equity Incentive Plan, or the Restated 2007 Plan, which amended and restated the 2007 Plan. Approval of the Restated 2007 Plan replaced the terms and conditions of the 2007 Plan with the terms and conditions of the Restated 2007 Plan and extended the term of the plan to April 2026. There was no increase in the aggregate amount of shares available for issuance. The total number of shares authorized for issuance under the Restated 2007 Plan as of December 31, 2018 was approximately 8,336.

Employee Stock Purchase Plan

In June 2013, our stockholders approved our 2013 Employee Stock Purchase Plan (ESPP). The ESPP allows participants to purchase our 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 years ended December 31, 2018, 2017, and 2016, we issued 596, 687, and 1,324 shares, respectively, under the ESPP. Total cash proceeds from the purchase of shares under the ESPP were approximately $2,157, $1,574, and $1,498, respectively for the years ended December 31, 2018, 2017, and 2016. As of December 31, 2018, shares reserved for issuance to employees under this plan totaled 34 and we held employee contributions of approximately $293 (included in other current liabilities) for future purchases under the ESPP.

Preferred Stock

Our board of directors have authorized the issuance of up to 7,500 shares of preferred stock at December 31, 2018. 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, 2018, the Board had not adopted any resolutions for the issuance of preferred stock.

13. Accumulated Other Comprehensive Loss

Changes in the components of accumulated other comprehensive loss, net of tax, for the year ended December 31, 2018, was as follows:

	Foreign Currency	Unrealized Gains (Losses) on Available for Sale Securities	Total
Balance, December 31, 2017	$(8,259)	$(69)	$(8,328)
Other comprehensive gain (loss) before reclassifications	(1,733)	28	(1,705)
Amounts reclassified from accumulated other comprehensive loss	—	—	—
Net current period other comprehensive gain (loss)	(1,733)	28	(1,705)
Balance, December 31, 2018	$(9,992)	$(41)	$(10,033)

14. Share-Based Compensation

Incentive Compensation Plans

We maintain 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.

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The Plans allow us to award stock option grants and restricted stock units (RSUs) to employees, directors and consultants of the Company. During 2018, we 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 our 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, 2015	14,667	$ 3.33
Granted	3,589	2.22
Exercised	(850)	1.46
Cancelled/Forfeitures	(1,389)	3.38
Balance at December 31, 2016	16,017	3.18
Granted	2,082	4.56
Exercised	(384)	2.79
Cancelled/Forfeitures	(752)	11.04
Balance at December 31, 2017	16,963	2.99
Granted	2,126	3.50
Exercised	(1,479)	2.72
Cancelled/Forfeitures	(667)	5.23
Balance at December 31, 2018	16,943	2.99

The following table summarizes the information about stock options outstanding and exercisable at December 31, 2018:

Options Outstanding				Options Exercisable	
Exercise Price	Number of Options Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Options Exercisable	Weighted Average Exercise Price
	(In thousands)			(In thousands)	
$ 0.00 — $ 1.50	—	—	$ —	—	$ —
$ 1.51 — $ 3.00	11,142	5.7	2.26	9,977	2.26
$ 3.01 — $ 4.50	3,379	7.6	3.59	1,268	3.77
$ 4.51 — $ 6.00	2,209	5.7	5.32	1,324	5.25
$ 6.01 — $ 7.50	28	1.8	6.24	28	6.24
$ 7.51 — $ 15.00	185	2.1	8.05	185	8.05
	16,943			12,782	

The weighted-average grant-date fair value of options granted during the years ended December 31, 2018, 2017, and 2016 on a per-share basis was approximately $1.82, $2.38, and $1.22, respectively. The total intrinsic value of the options exercised during the years ended December 31, 2018, 2017, and 2016 was approximately $3,171, $594, and $411, respectively. The aggregate intrinsic value of options outstanding at December 31, 2018 is approximately $1,436. The weighted average remaining contractual term of options currently exercisable at December 31, 2018 was 5.0 years.

The fair value of options awarded were estimated on the grant date using the following weighted average assumptions:

	Years Ended December 31,		
	2018	2017	2016

Expected volatility	51.05 %	53.94 %	58.30 %
Expected term, years	6.19	6.13	5.99
Risk-free interest	2.91 %	2.11 %	1.76 %
Expected dividends	— %	— %	— %

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Unrecognized share-based compensation related to stock options totaled $7,203 at December 31, 2018. We expect to amortize unvested stock compensation related to stock options over a weighted average period of approximately 2.3 years at December 31, 2018.

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

	Years Ended December 31,		
	2018	2017	2016
RSUs with service-based vesting conditions	4,248	5,809	6,673

Each RSU represents the right to receive one share of our common stock upon vesting. The fair value of these RSUs was calculated based upon our 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, 2015	6,265	$ 2.70
Granted	5,024	1.76
Vested	(3,753)	2.49
Forfeitures	(863)	2.29
Balance at December 31, 2016	6,673	2.16
Granted	3,435	3.05
Vested	(4,004)	2.16
Forfeitures	(295)	2.23
Balance at December 31, 2017	5,809	2.68
Granted	2,475	3.88
Vested	(3,501)	2.49
Forfeitures	(535)	3.39
Balance at December 31, 2018	4,248	3.45

The weighted-average grant-date fair value of RSUs granted during the years ended December 31, 2018, 2017, and 2016 was approximately $3.88, $3.05, and $1.76, respectively. The total intrinsic value of the units vested during the years ended December 31, 2018, 2017, and 2016 was approximately $14,659, $13,531, and $6,314, respectively. The aggregate intrinsic value of RSUs outstanding at December 31, 2018 is $9,939.

At December 31, 2018 there was approximately $12,061 of total unrecognized compensation costs related to RSUs. That cost is expected to be recognized over a weighted-average period of approximately 2.09 years as of December 31, 2018.

Total unrecognized aggregate share-based compensation expense totaled approximately $19,264 at December 31, 2018, which is expected to be recognized over a weighted average period of approximately 2.15 years.

The following table summarizes the components of share-based compensation expense included in our consolidated statement of operations:

	Years Ended December 31,		
	2018	2017	2016
Share-based compensation expense by type:			
Stock options	$4,238	$3,813	$3,742
Restricted stock units	10,753	8,402	9,121
ESPP	839	529	596
Total share-based compensation expense	$15,830	$12,744	$13,459
Share-based compensation expense included in the consolidated statements of operations:			
Cost of services	$1,815	$1,450	$1,493
General and administrative expense	8,458	6,502	7,070
Sales and marketing expense	2,837	2,470	2,792
Research and development expense	2,720	2,322	2,104
Total share-based compensation expense	$15,830	$12,744	$13,459

On September 18, 2015, the compensation committee of our board of directors approved a stock for salary program and a stock for bonus program, wherein eligible participants elected to receive payment of his or her base salary and/or bonus in shares of our common stock beginning on January 1, 2016. The shares of common stock were issued under our 2007 Equity Incentive Plan. Eligible program participants include our Chief Executive Officer and his direct reports.

The stock for salary program permitted eligible participants to receive 0, 25, 50, 75, or 100% of his or her 2016 salary (including any increases that may occur during the year) in shares of our common stock. On the last trading day of each calendar month, each participant will received the number of shares of our common stock determined by dividing (i) 1/12th of his or her enrolled salary by (ii) the trailing 30-day closing average of our common stock, rounded up to the nearest whole share. Once an election is made, it runs for the full year 2016 and is irrevocable. Participation levels may not be changed after the close of the enrollment period. Once purchased, there is no vesting period for the shares. During 2016, our Chief Executive Officer and two of his direct reports participated in the program. Each of the three participants elected to receive 50% of their respective salary in stock. As a result of their participation in the program, we issued 335 shares of common stock and recorded $572 of stock based compensation expense.

In 2018, 50% of the annual corporate bonus will be awarded to eligible employees in the form of our common stock. This resulted in $2,037 of stock based compensation expense in 2018.

15. 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 our initial public offering (IPO), became holders of more than 10% of our common stock. On June 14, 2007, upon the closing of our IPO, all outstanding shares of our Series B Preferred Stock automatically converted into shares of common stock on a 1-for-1 share basis. Between November 2017 and March 2018, investment partnerships affiliated with Goldman, Sachs & Co. sold 30,272,493 shares that they had acquired upon the conversion of their Series B Preferred Stock at the time of the Company's IPO in June 2007. As of December 31, 2018, 2017, and 2016 Goldman, Sachs & Co. owned approximately 1%, 14% and 28%, respectively, of our outstanding common stock.

We had no material related party transactions during the years ended December 31, 2018, 2017, and 2016.

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16. Leases and Purchase Commitments

Operating Leases

We are 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, 2018 are as follows:

2019	$2,266
2020	1,309
2021	730
2022	55
2023	—
Thereafter	—
Total minimum payments	$4,360

Purchase Commitments

We have non-cancellable long-term commitments for bandwidth usage and co-location with various networks and internet service providers or ISPs.

The following summarizes minimum commitments as of December 31, 2018:

2019	$22,078
2020	3,685
2021	904
2022	244
2023	—
Thereafter	—
Total minimum payments	$26,911

Rent and operating expense relating to these operating lease agreements and bandwidth and co-location agreements was approximately $59,593, $56,785, and $59,415, respectively, for the years ended December 31, 2018, 2017, and 2016.

17. Concentrations

During the years ended December 31, 2018 and 2017, Amazon represented approximately 30% and 17%, respectively, of our total revenue. During the years ended December 31, 2016, we had no customer who represented 10% or more of our total revenue.

Revenue from customers located within the United States, our country of domicile, was approximately $113,102, $112,166, and $94,105, respectively, for the years ended December 31, 2018, 2017, and 2016.

During the years ended December 31, 2018 and 2017, respectively, we had three countries Japan, the United Kingdom and the United States, which accounted for 10% or more of our total revenue. During the year ended December 31, 2016, we had two countries, Japan and the United States, which accounted for 10% or more of our total revenue.

18. Income Taxes

Our income (loss) before income taxes consists of the following:

	Years Ended December 31,		
	2018	2017	2016
Income (loss) before income taxes:			
United States	$8,648	$(8,963)	$(74,130)
Foreign	1,732	1,759	808
	$10,380	$(7,204)	$(73,322)

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The components of the provision for income taxes are as follows:

	Years Ended December 31,		
	2018	2017	2016
Current:			
Federal	$—	$—	$—
State	32	40	103
Foreign	489	711	330
Total current	521	751	433
Deferred:			
Federal	8	(34)	15
State	3	3	—
Foreign	6	(294)	155
Total deferred	17	(325)	170
Total provision	$538	$426	$603

A reconciliation of the U.S. federal statutory rate to our effective income tax rate is shown in the table below:

	Years Ended December 31,					
	2018		2017		2016	
	Amount	Percent	Amount	Percent	Amount	Percent
U.S. federal statutory tax rate	$2,180	21.0 %	$(2,521)	35.0 %	$(25,663)	35.0 %
Valuation allowance	(1,845)	(17.8)%	(30,938)	429.5 %	23,184	(31.6)%
Foreign income taxes	150	1.5 %	(179)	2.5 %	338	(0.5)%
State income taxes	51	0.5 %	90	(1.2)%	100	(0.2)%
Non-deductible expenses	85	0.8 %	149	(2.1)%	323	(0.4)%
Uncertain tax positions	—	— %	(20)	0.3 %	(136)	0.2 %
Non-deductible officer compensation	688	6.6 %	638	(8.9)%	—	— %
Share-based compensation	(745)	(7.2)%	873	(12.1)%	2,439	(3.3)%
Federal rate change impact	—	— %	32,415	(450.0)%	—	— %
Other	(26)	(0.2)%	(81)	1.1 %	18	— %
Provision for income taxes	$538	5.2 %	$426	(5.9)%	$603	(0.8)%

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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 our deferred tax assets and liabilities are as follows:

	December 31,	
	2018	2017
Deferred tax assets:		
Share-based compensation	$6,552	$6,047
Net operating loss and tax credit carry-forwards	46,569	43,543
Legal settlement	2,281	6,738
Deferred revenue	418	1,084
Accounts receivable reserves	188	224
Fixed assets	2,687	2,222
Other	177	311
Total deferred tax assets	58,872	60,169
Deferred tax liabilities:		
Prepaid expenses	(306)	(81)
Other	(107)	(8)
Total deferred tax liabilities	(413)	(89)
Valuation allowance	(57,149)	(58,718)
Net deferred tax assets	$1,310	$1,362

The federal and state net operating loss (NOL) carryforwards relate to prior years' NOLs, which may be used to reduce tax liabilities in future years. At December 31, 2018, we had $186,100 federal and $126,400 state NOL carryforwards. Our federal NOL will begin to expire in 2027 and the state NOL carryforwards will begin to expire in 2019. 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). We did not have any state tax credit carryforwards as of December 31, 2018.

We reduce 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, our experience with loss carryforwards not expiring unutilized, and all tax planning alternatives that may be available.

A valuation allowance has been recorded against our 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, 2018, no valuation allowance was provided on $1,600 of deferred tax assets associated with certain NOLs because we would use them to offset our liabilities relating to our uncertain tax benefits.

Estimated liabilities for unrecognized tax benefits are included in "other liabilities" on the consolidated balance sheet. These contingent liabilities relate to various tax matters that result from uncertainties in the application of complex income tax regulations in the numerous jurisdictions in which we operate. As of December 31, 2018, unrecognized tax benefits were $1,800, of which approximately $203, if recognized, would favorably impact the effective tax rate and the remaining balance would be substantially offset by valuation allowances.

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A summary of the activities associated with our reserve for unrecognized tax benefits, interest and penalties follow:

	Unrecognized Tax Benefits
Balance at January 1, 2017	$ 1,830
Additions for tax positions related to current year	—
Additions for tax positions related to prior years	26
Settlements	—
Adjustment related to foreign currency translation	3
Reductions related to the lapse of applicable statute of limitations	(42)
Reduction for tax positions of prior years	—
Balance at December 31, 2017	1,817
Additions for tax positions related to current year	—
Additions for tax positions related to prior years	20
Settlements	(34)
Adjustment related to foreign currency translation	—
Reductions related to the lapse of applicable statute of limitations	(3)
Reduction for tax positions of prior years	—
Balance at December 31, 2018	$ 1,800

We recognize interest and penalties related to unrecognized tax benefits in our tax provision. As of December 31, 2018, we had an interest and penalties accrual related to unrecognized tax benefits of $7, which decreased during 2018 by $5. We anticipate 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 settled potential tax liabilities in certain foreign jurisdictions. It is not currently reasonably possible to estimate the range of change.

We file income tax returns in jurisdictions with varying statues of limitations. Tax years 2015 through 2017 remain subject to examination by federal tax authorities. Tax years 2014 through 2017 generally remain subject to examination by state tax authorities. As of December 31, 2018, we are not under any federal or state income tax examinations.

On December 22, 2017, the Tax Cuts and Jobs Act (the Tax Act) significantly revised the U.S. corporate income tax law, by among other things, reducing the corporate income tax rate to 21% for tax years beginning in 2018, implementing a modified territorial system that includes a one-time transition tax on deemed repatriated earnings of foreign subsidiaries and creating new taxes on certain foreign sourced earnings.

Also on December 22, 2017, The Securities and Exchange Commission staff issued Staff Accounting Bulletin (SAB) 118 to provide guidance for companies that are not able to complete their accounting for the income tax effects of the Tax Act in the period of enactment. SAB 118 provides for a measurement period of up to one year from the date of enactment. During the measurement period, companies need to reflect adjustments to any provisional amounts if it obtains, prepares or analyzes additional information about facts and circumstances that existed as of the enactment date that, if known, would have affected the income tax effects initially reported as provisional amounts.

At December 31, 2018 we have completed our analysis of the Tax Act.

Income tax expense for the year ending December 31, 2017 includes a $41 tax benefit related to the re-measurement of a deferred tax liability on a long-lived asset. The remaining impact from the re-measurement of our net U.S. deferred tax asset at the lower 21% rate was offset by the valuation allowance. During 2018, this amount was finalized and no additional adjustment was required to be made.

The one-time transition tax is based on our total post-1986 earnings and profits (E&P) that we previously deferred from U.S. income taxes. In 2017 we recorded a provisional amount for our one-time transition tax liability for all of our foreign subsidiaries. In 2018 the transition tax calculation was completed. The transition tax that we calculated resulted in an immaterial amount of additional federal taxable income. The additional taxable income from the transition tax was offset by NOLs and did not result in cash taxes payable.

No additional income taxes have been provided for any remaining undistributed foreign earnings not subject to the transition tax, or any additional outside basis differences inherent in these entities, as these amounts continue to be

indefinitely reinvested in foreign operations. Determining the amount of unrecognized deferred tax liability related to any remaining

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undistributed earnings not subject to the transition tax and additional outside basis difference in these entities (i.e. basis difference in excess of that subject to the one-time transition tax) is not practicable.

The Tax Act contains several base broadening provisions that became effective on January 1, 2018 that did not have a material impact on future earnings due to our NOL and valuation allowance position. Also effective for 2018 is a new Global Intangible Low-Taxed Income inclusion (GILTI). The GILTI did not have a material impact on our 2018 earnings due to our NOL and valuation allowance position.

19. 401(k) Plan

We manage the Limelight Networks 401(k) Plan covering effectively all of our employees. The plan is a 401(k) profit sharing plan in which participating employees are fully vested in any contributions they make.

We 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. Our employees may elect to reduce their current compensation up to the statutory limit. We made matching contributions of approximately $1,423, $1,327, and $1,345 during the years ended December 31, 2018, 2017, and 2016, respectively.

20. Segment Reporting and Geographic Information

Our chief operating decision maker (whom is our Chief Executive Officer) reviews the financial information presented on a consolidated basis for purposes of allocating resources and evaluating our financial performance. We operate in one industry segment — content delivery and related services and we operate in three geographic areas — Americas, Europe, Middle East and Africa (EMEA) and Asia Pacific.

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

	Years Ended December 31,								
	2018			2017			2016		
Americas	$118,462	61	%	$116,112	63	%	$100,421	60	%
EMEA	38,015	19	%	37,212	20	%	31,326	18	%
Asia Pacific	39,193	20	%	31,036	17	%	36,487	22	%
Total revenue	$195,670	100	%	$184,360	100	%	$168,234	100	%

The following table sets forth the individual countries and their respective revenue for those countries whose revenue exceeded 10% of our total revenue:

	Years Ended December 31,		
	2018	2017	2016
Country / Region			
United States / Americas	$113,102	$112,166	$94,105
United Kingdom / EMEA	$26,672	$22,456	$15,290
Japan / Asia Pacific	$20,452	$18,585	$19,967

The following table sets forth long-lived assets by geographic area:

	Years Ended December 31,		
	2018	2017	2016
Long-lived Assets			
Americas	$18,349	$17,119	$18,665
International	9,029	11,872	11,687
Total long-lived assets	$27,378	$28,991	$30,352

21. Fair Value Measurements

We evaluate our financial instruments within the three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

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Level 1 - defined as observable inputs such as quoted prices in active markets;
Level 2 - defined as 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, 2018, and 2017, we held certain assets and liabilities that were required to be measured at fair value on a recurring basis. The following is a summary of fair value measurements at December 31, 2018:

		Fair Value Measurements at Reporting Date Using		
Description	Total	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money market funds (2)	$752	$ 752	$ —	$ —
Certificate of deposit (1)	40	—	40	—
Corporate notes and bonds (1)	25,083	—	25,083	—
Total assets measured at fair value	$25,875	$ 752	$ 25,123	$ —

(1) Classified in marketable securities
(2) Classified in cash and cash equivalents

The following is a summary of fair value measurements at December 31, 2017:

		Fair Value Measurements at Reporting Date Using		
Description	Total	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money market funds (2)	$6,789	$ 6,789	$ —	$ —
Certificate of deposit (1)	40	—	40	—
Corporate notes and bonds (1)	28,404	—	28,404	—
Total assets measured at fair value	$35,233	$ 6,789	$ 28,444	$ —

(1) Classified in marketable securities
(2) Classified in cash and cash equivalents

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.

22. Quarterly Financial Results (unaudited)

The following tables sets forth certain unaudited quarterly results of operations for the years ended December 31, 2018 and 2017. Amounts may not foot due to rounding.

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:

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	For the Three Months Ended			
	March 31, 2018	June 30, 2018 (a)	Sept. 30, 2018	Dec. 31, 2018
Revenue	$52,114	$50,249	$49,315	$43,992
Gross profit	$26,680	$24,847	$24,035	$17,910
Net income (loss)	$149	$15,159	$(272)	$(5,193)
Basic net income (loss) per share	$—	$0.14	$—	$(0.05)
Diluted net income (loss) per share	$—	$0.13	$—	$(0.05)
Basic weighted average common shares outstanding	110,761	111,356	112,760	113,578
Diluted weighted average common shares outstanding	118,909	120,033	112,760	113,578

	For the Three Months Ended			
	March 31, 2017	June 30, 2017	Sept. 30, 2017	Dec. 31, 2017
Revenue	$44,735	$45,370	$46,069	$48,186
Gross profit	$21,171	$21,375	$22,276	$22,977
Net loss	$(3,337)	$(1,625)	$(1,756)	$(912)
Basic and diluted net loss per share	$(0.03)	$(0.01)	$(0.02)	$(0.01)
Basic and diluted weighted average common shares outstanding	107,363	108,422	109,342	110,128

(a) During the quarter ended June 30, 2018, we recorded $14,900 of settlement and patent license income related to the definitive settlement and patent license agreement entered into with Akamai.

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, 2018. 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, 2018.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2018 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

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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.

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, 2018. 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) (2013 framework). Based on this assessment, our management has concluded that our internal control over financial reporting was effective as of December 31, 2018.

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 report included elsewhere herein. 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

To the Stockholders and the Board of Directors of Limelight Networks, Inc.

Opinion on Internal Control over Financial Reporting

We have audited Limelight Networks, Inc.'s internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Limelight Networks, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2018 and 2017, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2018 and the related notes and the financial statement schedule listed in the index at Item 15(a) and our report dated January 31, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

The Company'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 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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We conducted our audit in accordance with the standards of the PCAOB. 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 audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

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.

/s/ Ernst & Young LLP
Phoenix, Arizona
January 31, 2019

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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 2019 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 2019 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 2019 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 “About Limelight” and then on “Investors Home”, 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 2019 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 2019 Annual Meeting of Shareholders, and is incorporated herein by reference.

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Equity Compensation Plan Information

The following table provides information regarding our current equity compensation plans as of December 31, 2018 (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	16,943	$ 2.99	8,336
Equity compensation plans not approved by security holders	—	—	—
Total	16,943	$ 2.99	8,336

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 2019 Annual Meeting of Shareholders, and is incorporated herein by reference.

Item 14. Principal Accounting 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 2019 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:

	Page
Schedule II — Valuation and Qualifying Accounts	89

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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INDEX TO EXHIBITS

Exhibit Number	Exhibit Title
3.1(1)	Amended and Restated Certificate of Incorporation of the Registrant, as currently in effect.
3.2(2)	Second Amended and Restated Bylaws of the Registrant, as currently in effect.
4.1(3)	Specimen Common Stock Certificate of the Registrant.
10.1(3)	Form of Indemnification Agreement for directors and officers.
10.2(3)	Amended and Restated 2003 Incentive Compensation Plan and form of agreement thereunder.
10.3(3)	2007 Equity Incentive Plan and form of agreement thereunder.
10.3.01(4)	Amended and Restated 2007 Equity Incentive Plan of Limelight Networks.
10.4(5)	Form of At-Will Employment, Confidential Information, Invention Assignment, and Arbitration Agreement for officers and employees.
10.5(6)	Master Executive Bonus and Management Bonus Plan.
10.6(7)	Form of 2007 Equity Incentive Plan Restricted Stock Unit Agreement.
10.7(8)	Form of 2007 Equity Incentive Plan Restricted Stock Unit Agreement for Non-U.S. Employees.
10.8(9)	Standard Office Lease between the Registrant and GateWay Tempe LLC dated as of July 20, 2010.
10.10(10)	Employment Agreement between the Registrant and Robert A. Lento dated January 22, 2013.
10.10.01(11)	First Amendment to Employment agreement between the Registrant and Robert A. Lento dated as of February 23, 2016.
10.11(12)	Employment Agreement between the Registrant and George Vonderhaar dated January 22, 2013.
10.11.01(13)	Amendment to Employment Agreement between the Registrant and George Vonderhaar dated June 19, 2015.
10.11.02(14)	Second Amendment to Employment agreement between the Registrant and George Vonderhaar dated as of February 23, 2016.
10.11.03(15)	Transition Agreement and Release between the Registrant and George Vonderhaar dated November 26, 2018.
10.12(16)	Limelight Networks, Inc. 2013 Employee Stock Purchase Plan.
10.14(17)	Employment Agreement between the Registrant and Sajid Malhotra dated March 24, 2014.

10.14.01(18)	Amendment to Employment Agreement between the Registrant and Sajid Malhotra dated June 18, 2015.
10.14.02(19)	Second Amendment to Employment agreement between the Registrant and Sajid Malhotra dated as of February 23, 2016.
10.15(20)	Employment Agreement between the Registrant and Michael DiSanto effective April 1, 2015.
10.15.01(21)	Second Amendment to Employment agreement between the Registrant and Michael D. DiSanto dated as of February 23, 2016.
10.16(22)	Loan and Security Agreement between Limelight Networks, Inc. and Silicon Valley Bank dated November 2, 2015.
10.16.01(23)	Second Loan Modification Agreement to the Loan and Security Agreement between Limelight Networks, Inc. and Silicon Valley Bank dated October 25, 2016.
10.16.02(24)	Third Loan Modification Agreement to the Loan and Security Agreement between Limelight Networks, Inc. and Silicon Valley Bank dated October 17, 2017.
10.16.03(25)	Fourth Loan Modification Agreement to the Loan and Security Agreement between Limelight Networks, Inc. and Silicon Valley Bank dated February 27, 2018.

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10.17(26)	Employment Agreement between the Registrant and Kurt Silverman dated August 20, 2013.
10.17.01(27)	First Amendment to Employment agreement between the Registrant and Kurt Silverman dated as of February 23, 2016.
10.18(28)	Form of 2016-2017 Retention Bonus Plan Agreement.
10.19(29)	Patent Sublicense Agreement dated August 1, 2016.
10.16(30)	Employment Agreement between the Registrant and Tom Marth dated November 21, 2018.
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.
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.

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(1) Incorporated by reference to Exhibit 3.1 of the Registrant’s Current Report on Form 8-K filed on June 14, 2011.
(2) Incorporated by reference to Exhibit 3.2 of the Registrant's Form 8-K filed on February 19, 2013.
(3) 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.
(4) Incorporated by reference to Exhibit 10.3.01 of the Registrant’s Quarterly Report on Form 10-Q filed on October 27, 2016.
(5)

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.

(6) Incorporated by reference to Exhibit 99.1 of the Registrant’s Current Report on Form 8-K filed on May 19, 2009.

(7) Incorporated by reference to Exhibit (a)(1)(I) of the Registrant’s Schedule TO filed on May 15, 2008.

(8) Incorporated by reference to Exhibit (a)(1)(J) of the Registrant’s Schedule TO filed on May 15, 2008.

(9) Incorporated by reference to Exhibit 10.32 of the Registrant’s Quarterly Report on Form 10-Q filed on November 5, 2010.

(10) Incorporated by reference to Exhibit 10.21 of the Registrant’s Annual Report on Form 10-K filed on March 1, 2013.

(11) Incorporated by reference to Exhibit 10.1 of the Registrant’s Quarterly Report on Form 10-Q filed on April 28, 2016.

(12) Incorporated by reference to Exhibit 10.22 of the Registrant's Annual Report on Form 10-K filed on March 1, 2013.

(13) Incorporated by reference to Exhibit 10.3 of the Registrant's Form 8-K filed on June 19, 2015.

(14) Incorporated by reference to Exhibit 10.3 of the Registrant’s Quarterly Report on Form 10-Q filed on April 28, 2016.

(15) Filed herewith.

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

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(17) Incorporated by reference to Exhibit 10.17 of the Registrant's Annual Report on Form 10-K filed on February 17, 2015.
(18) Incorporated by reference to Exhibit 10.2 of the Registrant's Form 8-K filed on June 19, 2015.
(19) Incorporated by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q filed on April 28, 2016.
(20) Incorporated by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q filed on May 1, 2015.
(21) Incorporated by reference to Exhibit 10.5 of the Registrant's Quarterly Report on Form 10-Q filed on April 28, 2016.
(22) Incorporated by reference to Exhibit 10.1 of the Registrant's Form 8-K filed on November 3, 2015.
(23) Incorporated by reference to Exhibit 10.19.01 of the Registrant's Quarterly Report on Form 10-Q filed on October 27, 2016.
(24) Incorporated by reference to Exhibit 10.16 of the Registrant's Annual Report on Form 10-K filed on February 8, 2018.
(25) Incorporated by reference to Exhibit 10.01 of the Registrant's Quarterly Report on Form 10-Q filed on April 20, 2018.
(26) Incorporated by reference to Exhibit 10.17 of the Registrant's Annual Report on Form 10-K filed on February 17, 2017.
(27) Incorporated by reference to Exhibit 10.4 of the Registrant's Quarterly Report on Form 10-Q filed on April 28, 2016.
(28) Incorporated by reference to Exhibit 10.6 of the Registrant's Quarterly Report on Form 10-Q filed on April 28, 2016.
(29) Incorporated by reference to Exhibit 10.1 of the Registrant's Form 8-K filed on August 1, 2016.
(30) Filed herewith.

* 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.

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Item 16. Form 10-K Summary.

None

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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: January 31, 2019 By: /S/ SAJID MALHOTRA
Sajid Malhotra
Chief Financial Officer
(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 Sajid Malhotra 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)	January 31, 2019
/S/ SAJID MALHOTRA Sajid Malhotra	Chief Financial Officer (Principal Financial Officer)	January 31, 2019
/S/ DANIEL R. BONCEL Daniel R. Boncel	Vice President, Finance (Principal Accounting Officer)	January 31, 2019
/S/ WALTER D. AMARAL Walter D. Amaral	Non-Executive Chairman of the Board and Director	January 31, 2019
/S/ DOUG BEWSHER Doug Bewsher	Director	January 31, 2019
/S/ MARC DEBEVOISE Marc DeBevoise	Director	January 31, 2019
/S/ JEFFREY T. FISHER Jeffrey T. Fisher	Director	January 31, 2019
/S/ SCOTT GENEREUX	Director	

Scott Genereux		January 31, 2019
/S/ PATRICIA PARRA HADDEN Patricia Parra Hadden	Director	January 31, 2019
/S/ DAVID C. PETERSCHMIDT David C. Peterschmidt	Director	January 31, 2019

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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, 2016:					
Allowances deducted from asset accounts:					
Reserves for accounts receivable	$ 1,804	137	(234)	864	$ 843
Deferred tax asset valuation allowance	$ 59,241	24,985	—	—	$ 84,226
Year ended December 31, 2017:					
Allowances deducted from asset accounts:					
Reserves for accounts receivable	$ 843	949	14	668	$ 1,138
Deferred tax asset valuation allowance	$ 84,226	(25,508)	—	—	$ 58,718
Year ended December 31, 2018:					
Allowances deducted from asset accounts:					
Reserves for accounts receivable	$ 1,138	902	10	1,051	$ 999
Deferred tax asset valuation allowance	$ 58,718	(1,569)	—	—	$ 57,149

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